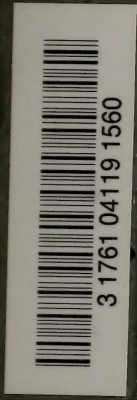
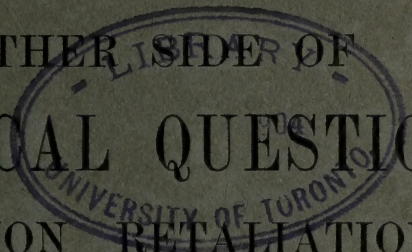


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THE FISCAL QUESTION.
PROTECTION RETALIATION
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THE FISCAL QUESTION.

PROTECTION : RETALIATION : PREFERENCE.

WITH TABLES.

By SYDNEY BUXTON, M.P.

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PREFACE

A NEW (the eleventh) Edition of "A Handbook to Political Questions; with the Arguments on Either Side" was lately published.

Among the new subjects contained in this Edition, are chapters devoted to the latest phase of the Fiscal Question, under the headings of Protection, Retaliation, and Preference.

The suggestion has been made to me, from various quarters, that it would be useful to many, who were unwilling or unable to buy the Handbook as a whole, if, under existing circumstances, these Sections were separately published in a cheap form. Hence this little volume.

The Sections have been revised for this purpose.

S. B.

December 1903.

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TARIFF CHANGES

THE question of fundamental Tariff Changes has suddenly sprung into prominence. The three questions that are most to the fore, are the re-adoption of Protection, the imposition of Retaliatory Duties, and the grant of Preferential Tariff advantages to the Colonies.

These three questions can be supported as a whole, or taken in twos, or advocated separately, according to the view taken by the particular person.

As the arguments for or against Protection are generally applicable to the other two questions, they are put first, and are supplemented, in the later sections, by further arguments especially applicable to Retaliation or to Preference.

The Tables in the Appendix, which have been compiled with some care, may be found useful. Other facts and figures can be found in the official returns, and in the "literature" (not always so accurate as could be wished) with which the country is inundated.

Fiscal Free Trade is founded on the principle of non-interference with producer and consumer, and

on the complete freedom from taxation of all imports and exports. To the extent that taxation has to be imposed on imports, the necessary Customs tariff is imposed for revenue purposes only, and with no ulterior motives; and the necessary Customs and Excise duties are confined to a minimum number of articles, and levied on those articles alone which produce substantial sums. Further, whenever an article taxed is produced at home as well as imported from abroad, the Excise duty on the former is equivalent to the Customs duty on the latter. Thus the indirect taxation of a free trade country would neither prohibit, protect, advantage, discriminate, nor differentiate.*

It is proposed to subvert this principle, and to levy on certain foreign imports a heavy Customs duty, without any equivalent Excise duty. This with the object (i.) of either excluding foreign goods which compete in the home market with the home manufacturers or producers, or so to handicap these goods by heavy taxation that the home industry would be better able to compete with them; (ii.) of utilising the duties as a weapon against protective nations; (iii.) of enabling us by their means to give a preference to the import of Colonial produce.

* An account of the adoption of the principle of Free Trade and Fiscal Reform, and how it was carried out, will be found in *Finance and Politics* and in *Mr Gladstone as Chancellor of the Exchequer*.

PROTECTION

The advocates of the imposition of Protective import duties on foreign goods base their proposals on the grounds:—

1. (a) That the prophecies confidently made by Peel and Cobden, that if we adopted free trade the other nations would follow suit, and that trade would follow its natural course, have been totally falsified. No other nation has followed our example; all other nations are increasingly protective.—(b) That Great Britain alone has adopted free trade; and it is presumptuous to assume that we are necessarily in the right, and all other nations necessarily in the wrong.—(c) That whatever may have been the position fifty years ago, all the circumstances and conditions have so altered, that a reconsideration of our fiscal position has become essential.

2. (a) That at the time that free trade was adopted, England (then protectionist, and in consequence of protection) was in the van; was indeed the only great manufacturing nation. At first, therefore, free trade, combined with her natural, physical, material and commercial advantages, led to a great expansion of her trade.—(b) That the great revival of industry which followed free trade was due primarily to other causes which synchronised with the adoption of free trade; namely, improvements in machinery, the extension of railways, the invention of the telegraph, the greater production of gold, &c.—(c) That if it were true that commercial prosperity were primarily due to fiscal freedom, the trade of the other great nations would have remained undeveloped, instead of becoming more prosperous than ours.

3. (a) That free trade was intended to create a free

interchange of all commodities between all nations, and this might have been beneficial. Such a result has not, however, ensued. We have not got "free trade," but only free imports. That is, we have opened our markets free to the world, and every one is at liberty to sell us what they like; whilst other countries have not in return opened their markets to us, and by their import duties they have hindered us from selling our goods to them.—

(b) That while universal free trade might benefit the world, partial free trade injures the country which adopts it.

4. That while it is true, generally, that the prosperity of other nations is an advantage to us, this is not the case when their prosperity is based on our decadence.

5. (a) That Germany and the United States have acquired their wealth, not in spite of, but in consequence of their system of protection.—(b) That it is clear, therefore, that it is protection that stimulates and strengthens, and free trade that enfeebles and injures, an industry.—(c) That clearly also protection tends to develop industrial methods, character, aptitude, economy, and industry.

6. (a) That protection encourages diversity of trades and occupations, prevents the weaker industries from going to the wall, and protects the stronger from unfair competition; while it enables the nation to take advantage of any new opening for trade.—(b) Then a great variety of occupations in a country minimises the loss and distress which is caused by trade depression, for all trades are not equally depressed at the same time.—(c) That free exchange tends to over-specialisation of industries; and any derangement of these specialised industries involves disaster to the country.

7. That a country (or Empire) should, as far as possible, be independent of other countries, both industrially and as regards its food supplies; and this can only be attained by protection. Free trade tends to make the country more

and more dependent on other countries for its necessities and its comforts.

8. (a) That one of the chief objects of the tariffs of protective countries is to make themselves as far as possible self-sufficient. This has been the result of protection, and thus we are less and less able to find in civilised countries a market for our manufactured goods.—(b) That in consequence of their protective import duties, our trade to most of the chief protective countries has of late years shown a continual decline. It becomes increasingly difficult to dispose of our exports—necessary to pay for our imports—on advantageous terms, or on any terms at all.

9. (a) That until a few years ago, our commercial and industrial supremacy was unchallenged. It is now not only challenged, but has disappeared. Of late years, fostered by protection, Germany and the United States have been rapidly out-distancing and superseding England in commerce and trade.*—(b) That, thanks to protection, they not only succeed in keeping their home markets, but in increasing their exports; we neither guard our home markets nor increase our exports.*—(c) That we are no longer the workshop of the world. Nations which used to receive our goods are now our rivals, not only in neutral, but in our own markets. Instead of their buying manufactured goods of us, we buy of them. We send them less and less of our manufactured goods, they send us more and more of theirs.*

10. (a) That while the export trade of the chief protectionist countries is on the up-grade, our export trade is on the down-grade.†—(b) That with the extension of the trade of the world our trade ought to have largely expanded, while at the best it has remained stagnant and stationary.

11. (a) That our staple industries especially are waning.‡

* See *Retaliation*.

† See Appendix III., Nos. 5 and 7.

‡ See Appendix III., No. 5.

(i.) Looking to the vastly increased world demand for Iron and Steel—for ships, railways, bridges, buildings, &c.—our steel and iron industries should be making rapid headway. But, on the contrary, the exports of these goods show an almost continuous decline, while the imports of these articles of foreign manufacture show a steady increase ;* (ii.) That it is notorious that Public Bodies, Railway Companies, &c., are increasingly induced to obtain their electric plant, bridge work, rails, etc., from abroad, where they obtain them better and cheaper than at home ; (iii.) That, as regards Textiles, here again the English trade does not obtain its share in the increasing consumption, while the chief falling off in export has been in the most highly-finished goods ; (iv.) That the Silk trade has been almost entirely destroyed by the competition of foreign protected silks.*

12. That the highly protective America tariff has literally killed some of our trades—such as the tin-plate trade—which depended on the American market.

13. (a) That, thanks to free trade, the state of agriculture—still our largest industry—is disastrous to the country economically, morally, and physically.—(b) That our dependence on foreign food supplies would be a serious national danger in time of war.

14. (a) That the Home Trade is the really important trade, and any displacement of home products by foreign products constitutes a dead loss to the country, in profit and employment. — (b) That under our system of free imports, manufactured goods, which could be satisfactorily produced in England, are allowed to flood the home market, in constantly increasing quantities,† thus ousting our home industries, ruining our manufactures, and depriving the working-men of work and wages.‡—(c) That,

* See Appendix III., No. 5.

† See Appendix III., Nos. 5 and 7.

‡ See *Retaliation*.

with very few exceptions (some "fancy" wares), all these imported goods could be produced, and equally well made, at home; and their production abroad is a dead loss to this country.—(d) That in many trades the import of semi-manufactured articles is superseding that of the raw material, and thus less employment and less profit ensues.

15. (a) That the occupation of the working-man is going, and with it his income.—(b) That not only is labour displaced, but the community has cast upon it the burden of the maintenance of the men thus thrown out of employment.—(c) That it would be better for the working-men (as well as for the community) to have to pay something more for his articles of consumption, and to receive compensation in increased wages and employment, and protection against the competition of cheap foreign labour.—(d) That wages in Germany have increased under protection, and in the United States are very high.*

16. (a) That, under free trade, one-fourth of the whole population are always on the verge of starvation; a number that is continually being recruited in consequence of the gradual disappearance of profitable industries.—(b) That if it be true that the physique of the population be deteriorated, it must be in consequence of free trade, under which the existing population has grown up.

17. That the greatest boon that could be conferred upon the working people of this country would be such a fiscal reform as would ensure to every industrious man full and constant employment at fair wages; and this can only be obtained under protection.

18. (a) That the displacement of British manufactured goods by foreign goods in the home market has made rapid and disquieting progress of late years.†—(b) That much of

* For the Wages question, see Blue Book, Cd. 1761, pp. 259-293, etc

† See Section on *Retaliation*, and Appendix III., Nos. 5 and 7.

this is due to the "dumping" of goods below cost price, with which it is impossible for the home producer to compete.—(c) That, up to now, the United States manufacturer has been chiefly occupied in driving the foreign manufacturer out of the American market. This accomplished, he will be in a position, and intends to flood our unprotected market with his goods.

19. (a) That, on all hands, our industries are gradually and surely being undersold and destroyed; when once destroyed, they can never be revived.—(b) That under our policy of free trade, such industries as remain to us are impoverished, unprofitable, out of date, or are becoming extinguished.—(c) That, at the same time, no new trade or industry has been started or developed in England during the last twenty years; and no new inventions introduced.

20. That the state of trade competition makes it clear that protectionist nations can manufacture at a lower rate for exportation than a free trade nation.

21. (a) That commercial energy, enterprise, and invention must be founded on some likelihood of an extended market and an adequate return. The system of free trade discourages the investment of capital, destroys enterprise, prevents energy, checks invention, and offers no incentive to improvement.—(b) That the protected manufacturer can produce his goods at a cheaper rate than his free trade rival, and is therefore underselling him, not only in neutral, but in his home market; and not only in special articles, but in articles of every class.—(c) That it is not merely a few individuals who are crushed out, but whole trades are extinguished.

22. (a) That the cost of production, which formerly depended on the cost of the material, the cost of labour, and the working expenses, now depends, in most trades, chiefly on the quantity produced. The larger the out-put,

the cheaper the cost of production of the article produced.*—

(b) That therefore cheapness depends on quantity, quantity depends on demand, and demand depends on the markets open to the producer. The protected manufacturer, with two markets at his disposal, can manufacture larger quantities at cheaper rates than his free trade competitor, who has only one available market.

23. (a) That a manufacturer, in a protected country, desiring to enlarge his business or to create a new industry, is assured of the home market against foreign competition, while he also has at his disposal the English market, free of any taxation. His English rival has no reasonable certainty or security of his own home market (which is open equally to his protected competitor), and he is excluded from, or handicapped in, the foreign market.—(b) That thus the protected manufacturer is able, first, by a large out-put, which reduces the cost of production, and secondly, by selling in his home market at non-competitive prices,† to dispose of the balance of his stock in the English market at a price at which his free trade competitor cannot make a profit.

24. (a) That thus the insecurity due to the existence of free trade fatally handicaps the home manufacturer, and necessarily destroys confidence and security, energy and enterprise.—(b) That protection, on the other hand, gives security, reduces the risks of manufacturing, encourages new industries and inventions, promotes enter-

* *I.e.* an article manufactured by the hundred might cost 2d apiece to produce; if manufactured by the hundred gross, it might be produced at a cost of only a halfpenny.

† This, it is also argued, is no hardship to his compatriot, the home consumer, who has to pay dear for the article in order that it may be sold cheaply abroad. If there were not the free trade market for the manufacturer to fall back upon for his surplus stock, he would not be able to produce the article so cheaply; the home consumer would therefore have, in any case, to pay as much, or even more than he does now for it, while less capital would be used and employment given in the country itself.

prise, and evokes energy, and offers advantageous conditions to the producer which enable him to cheapen the cost of production.

25. That in consequence of the constant changes (usually for the worse) in the protective tariffs of other nations, and the unfair competition which cannot be anticipated due to "dumping," British trade has no stability nor certainty, but is subject to unforeseen and disastrous disturbances.

26. That it is a total fallacy to suppose that a manufacturer, driven by undue competition out of one trade, can turn his knowledge, industry, and capital into a new channel. On the contrary, the particular trade is destroyed, and with it the capital and the employment it gave, and there is nothing to take its place.*

27. That as regards our Colonies and Dependencies, we are losing our commercial connection and hold over them. Instead of trade following the flag, the flag is followed by foreign trade; we make the sacrifice, the foreigner reaps the benefit.†

28. That the only way to resist foreign competition is by Protection—there is no half-way house.

29. (a) That it is the duty of the State to foster and develop the prosperity of its citizens, commercially as well as otherwise.—(b) That it is the business of the State to find out which industries, either existing or nascent, are injured by foreign competition, and then to give them protection.—(c) That, under a system of reciprocity, only those industries would be assisted which were indigenous

* The particular case of Coventry is often instanced by the free trader as a case in which one industry (silk and ribbon) which gradually ceased to be profitably worked, has been superseded by another, the manufacture of bicycles. The Protectionist argues that the destruction of the one trade was not necessary to the growth of the other, and that there is no reason why *both* trades should not have flourished together if the silk trade had been protected from foreign competition.

† See *Preference*.

to the soil, and which had shown that with fair treatment they could hold their own.

30. (a) That in consequence of our free trade policy, the manufacturer and producer are disappearing, and we are becoming simply a nation of middlemen and consumers. Such a state of things cannot last. We cannot continue to buy or to handle if we do not continue to produce and to sell.—(b) That, as regards the consumer, free trade means, in the end, not cheapness but dearness. The foreign protected producer may undersell at first (perhaps at even a loss to himself), with a view of killing his free trade rivals and monopolising the trade. This accomplished, prices are raised.—(c) That the welfare of the consumer is bound up with that of the producer; the purchasing power of the former depends entirely on the continuance of profitable industries at home. The disappearance of the producer would ruin the country. Most men are actual producers as well as consumers, while those alone who are consumers and not producers would suffer without compensating gain from protective duties; and such persons are of little value to the country.

31. That the import duties are only paid for by the consumer when there is no competing home industry; where such exists, the duty cannot be added to the price, but is paid by the foreign importer.*

32. (a) That if protection raised prices, and increased the cost of living (which is denied), profits, wages and salaries would be proportionately increased, for the country would be more prosperous.—(b) That with protection all round, all industries would be benefited alike.

33. (a) That a large revenue (paid by the foreign importer) could be derived for the taxation of foreign imported

* For instance, it is argued that the corn duty of 1902 did not raise the price of corn or of bread. But see for this, Blue Book, Cd. 1761, pp. 124-126.

manufactures, now amounting to £100,000,000 a year;* and this sum could go to the relief of taxation elsewhere.—(b) That the protective duties would either diminish the imports of foreign goods, and so advantage the home industries; or if foreign goods still come in, the taxpayer would benefit by the revenue derived from them.

34. (a) That there would be no difficulty in drawing a clear distinction between the fully manufactured imports ready for immediate use, and the partly manufactured articles which are subsequently worked up here.—(b) That the former, as giving no employment to English capital and labour, should be subjected to the highest duty.—(c) That, even as regards the latter, as it would be better for the country that all the stages of manufacture should be done here, the partly manufactured articles should also be subjected to a duty.

35. (a) That while it is admitted that an excess of imports (the goods we buy) over exports (the goods we sell) is not unsatisfactory, the enormous and increasing discrepancy between them has increased alarmingly of late years.† The adverse balance is so large, and so increasingly large, that, making every allowance for shipping, profits, interest on investments, &c., it is clear that we are now selling less than we are buying, and that we must be living on our capital.—(b) That to the extent of our exports of coal (£27,000,000 in 1902) we are consuming our natural capital.—(c) That continued consumption of capital implies ultimate bankruptcy.

36. (a) That a great distinction should be drawn between competitive and non-competitive imports.—(b) That the first, and non-competitive, phase of imports, that of raw material, was wholly and universally beneficial. In the second phase, when some imports, those of foodstuffs, began to be competitive, they were still mainly beneficial, by cheapening

* See Appendix III., No. 4.

† See Appendix, III. No. 2.

food, though, by depressing agriculture, partly destructive. In the third and most dangerous phase, competitive imports in the form of finished goods have become mainly destructive, and are only partly beneficial.

37. (a) That it is a delusion to suppose that imports depend on exports, or that the purchase of the goods of a particular nation must necessarily lead to a corresponding purchase by it of our goods. The trade returns show that there is no relation between the two.—(b) That in the case of the United States, the disproportion, and the increasing disproportion, between our purchases from her, and her sales to us, is so great that we must be rapidly becoming her debtor.*

38. That there need be no fear of retaliation on the part of the foreigner. Everything that could be done to cripple our export trade has already been done; while our imposition of protective duties could be used as a lever wherewith to obtain better terms from the foreign protective country.†

39. That a policy of taxation of manufactured goods is not inconsistent with a policy of free imports—namely, the free entry of food and raw material, neither of which (under Protection) it is proposed to tax.

40. That as our manufacturers are hampered by Factory Acts, Mines Acts, Merchant Shipping Acts, &c., burdened by heavy rates and taxes, &c., they cannot, without the help of partial protection, successfully compete with those of other nations; and as these restrictive laws have been imposed upon them by the legislature, they may fairly ask for compensating protective assistance.

41. That improved technical, commercial, or other education is no advantage to the community, if there are no trades

* The value of our total exports to the United States in 1890 was £46,300,000; in 1901, £37,600,000; in 1902, £43,000,000. The imports from the States were £97,300,000 in 1890, £141,000,000 in 1901, and £127,000,000 in 1902.

† See *Retaliation*.

left to learn nor to conduct: the question is economic, not educational.

On the other hand, the imposition of Protective Duties is opposed on the grounds:—

1. That protectionist England, fifty years ago, was in the last throes of industrial and agricultural depression. Trade was declining, profits dwindling, the people were in distress, pauperism and crime were increasing, discontent was rampant, the country was on the verge of bankruptcy.

2. That though, no doubt, invention, railways, gold discoveries, &c., stimulated our trade, it was the adoption of free trade which initiated our prosperity; and each successive repeal of import duties has been followed by a further expansion of commerce.

3. (a) That there are no signs of incipient decay in our industries, commerce, or shipping. No reason exists for resorting to drastic remedies. The trade of the country must be taken as a whole, and not merely inevitable fluctuations in particular industries. The British external trade of last year was the largest volume of trade ever transacted by any country in the world,—namely, £877,000,000, or £20, 18s. 5d. per head of the population.*—(b) That our export trade of manufactured goods is twice as great per head as that of Germany, and six times as great per head as that of the United States.†

4. That too much stress is laid on the question of our external trade, which probably represents not more than ten per cent. of the whole volume of our home trade. The home trade is in a flourishing condition.

5. That all returns, whether of income-tax, death duties, Savings Bank deposits, railway receipts, employment, pauperism, &c., show a progressive increase in the wealth and pros-

* See Appendix III., No. 2.

† See Appendix III., No. 7.

perity of the country.*—(c) That the shipping trade of the country, both actually and relatively to that of other nations, shows an increase of tonnage and clearings.*—(d) That there is no diminution, but a continuous increase, in the imports of the raw materials of manufactures †—a proof that there is no falling off in the total amount of manufactures; and that the home consumption more than makes up for any slackening in the foreign demand.

6. (a) That, deplorable as is the poverty that still exists among us, the poverty in protectionist countries is far greater, and the standard of living far lower. We are, on the whole, the best fed, the most regularly employed, and the most highly paid people in Europe. ‡—(b) That the rate of wages is lower, the hours longer, and the conditions of labour worse in protectionist Germany than in free trade England. ‡—(c) That in the United States, while wages are, on the whole, higher, the strain of work is greater, and the cost of living much higher.

7. That twenty years ago, when the last protectionist epidemic occurred, similar doleful apprehensions prevailed. Our trade, it was alleged, was going from bad to worse, and the excess of imports spelt speedy ruin. These predictions have been entirely falsified; trade, incomes, wages, have all expanded, and instead of living on our capital, we have been increasing it. §

8. (a) That while, no doubt, in aggregate value our foreign trade has not greatly progressed of late years, this is due to the great fall in prices all the world over, in the last thirty years. || Our out-put and consequent employment have largely and progressively increased; and if prices and profits have been lower, trade has been steadier and less fluctuating.

* See Appendix III., No. 1, and Cd. 1761. † See Appendix III., No. 6.

‡ For the Food and Wages question, see especially the interesting tables in Blue Book, Cd. 1761, pp. 209-258, and 259-293.

§ See Appendix III., No. 1.

|| See Appendix III., No. 3.

9. (a) That whether the adoption of free trade was right or not, this country, highly organised and densely populated, has grown up under commercial and social conditions founded on a system of free imports, and any tampering with these conditions would be disastrous.—(b) That, desirable as was a free trade system fifty years ago, to-day it is essential. Not to have chosen the path of free trade fifty years ago would have been a pity; to abandon it to-day would be a calamity and a disaster.

10. That it was not to be expected that, as time went on, and other nations developed, we should be able to retain our relative commercial supremacy. Foreign production and international competition was bound to increase. But this competition is due to many causes other than fiscal. Our free trade system enabled us the longer to maintain the lead, and now best enables us to profit from the prosperity of other nations.

11. (a) That our two greatest commercial rivals, Germany and the United States, while in a sense protectionist, are largely free trade countries. They have partial protection applicable to comparatively small parts of their total industries, but the rule is free trade.—(b) That Germany, by its Zollverein, has established complete free trade among its 58,000,000 of inhabitants, while only a certain number of its industries are "protected."—(c) That the commercial prosperity of America is largely due to the fact that she has within her borders complete free trade. Her inter-State commerce to-day, among a community of 80,000,000 of people, is the largest trade carried on anywhere under conditions of absolute free trade; while, moreover, the protected industries do not employ more than a fraction of the occupied population.—(d) That it is this, and her great natural and commercial advantages,* which, in spite of her

* The area of the United States is as great as that of Europe proper. New York State alone has an area equal to that of the United Kingdom.

protective system, has made the United States so prosperous. The most fatally false fiscal system would do no more than delay her progress.

12. That the limits of a Kingdom are equally artificial with those of an internal State. If the principle of protection be advantageous, the United States and Germany would have each been more prosperous if they had enjoyed protection between the various States that go to make up their respective Zollvereins. But admittedly their internal free trade has been enormously to their economic advantage.

13. (a) That the commercial expansion of Germany and of the United States is mainly due to their system of scientific and technical education, to superior trade and economic methods, to adaptability, energy, and perseverance.—(b) That British manufacturers should “wake up.” They are too much inclined to rest on the success of past years when international competition was far less, instead of adapting themselves, like their rivals in trade, to the requirements of the day and the needs of their customers.

14. (a) That protectionist countries complain greatly of our competition; are more afraid of us than we are of them, and endeavour to protect themselves still further against us.—(b) That, in spite of protection, we are able, thanks to our free trade, to send to protectionist countries in every instance, and in the aggregate, a far greater amount of manufactures than they send to us.

15. (a) That free trade is founded on the principle of non-interference with producer and consumer, taxation for revenue purposes only, and simplification of the tariff.—(b) That free trade, by allowing each country to produce that which it can most easily produce or manufacture, promotes division of labour and economy, in their best and most extended sense.—(c) That the fewer the obstacles in the way of trade, the better will it flourish; capital and labour,

if let alone and unfettered, will find out the most profitable fields for investment.—(d) That some industries can no doubt be fostered and developed by protection, but only at the expense of all other industries.

16. That Free Trade widens the circle of exchange; and the possibilities of economic advantage increases as it widens. Mutual wants are developed that can only be satisfied by exchange of goods. A "self-contained" country must forego many of the necessities and the comforts of life.

17. (a) That the extension of the area and sources of supply and of exchange are the best preventive to any far-reaching collapse of trade and industry.—(b) That, thanks to free trade, there are a greater variety of trades and industries in England than in any other country.

18. That free trade gives stability and certainty to a trade. Protective tariffs can be and are continually being altered, giving rise to disturbance and uncertainty.

19. That protection tends either to over-production or to the creation of a monopoly—both economically an evil.

20. (a) That free trade is in itself a good thing, even if rejected by other nations. Though, undoubtedly, the protective system adopted by other nations injures our international trade, it would be still more injured and curtailed if we also adopted a system of protective tariffs, and erected barriers at the other end of the bridge as well.—(b) That we admit the goods of other nations free, for our benefit, and not for theirs. The act of trading is a purely voluntary one, and would not take place if it did not suit both parties. Each side expects to make a profit; and if we make our profit, it cannot injure us if the other side also makes a profit.—(c) That the imposition of protective duties would seriously diminish the volume of the trade of the world; and we, more than any other nation, are interested in its expansion; the increasing wealth of other

nations is to our advantage. Our principal rivals are our best customers.—(d) That free trade enables us to purchase in the cheapest, and sell in the dearest market; and any restrictions must alter this for the worse.

21. (a) That the imposition by us of protective duties would reduce our imports—*i.e.* our purchases—and by the amount of that reduction would the power of other nations to take our exports—*i.e.* our sales—be diminished. If they cannot sell to us, they will not have the where-with-all to buy from us; exports largely depend on imports.—(b) That our introduction of protective duties would be met by the imposition of still higher duties abroad; and trade on both sides would be still further dislocated and diminished.

22. (a) That, under free trade, London has become the banking, the financial centre, and the clearing-house of the world.—(b) That a large trade of imports as well as exports has enormously developed the shipping and carrying trade, by enabling it to be conducted cheaply and profitably; the shipowner is certain of obtaining a return cargo. We have become the carriers of the world.—(c) That, owing to the system of free imports, Britain has become an important centre for the distribution of the produce of other countries, which she sells along with her own.

23. (a) That the tariff could, no doubt, be made to “protect” in the home markets. But it would not avail us in the neutral or protective markets. On the contrary, free trade, by enabling us to produce cheaply, enables us to compete better. Protection, by increasing the cost of production, and by raising all round the price at which goods could be profitably sold, would diminish our powers of competition, and therefore our trade in all foreign markets, whether protective or neutral.—(b) That the chief falling off in our exports is to the United States, consequent on its heavy Protective duties, and they have unquestionably injured

various branches of our trade. But the grant of protective duties to these industries would not help them to compete better in the American market.*

24. That if we have a difficulty now in maintaining our commercial position, we should maintain it with still greater difficulty if we threw further obstacles in the way of the extension of trade, or further handicapped our powers of competition. If we are badly off under free trade, we should be much worse off under protection.

25. (a) That protection does not create capital, nor trade, nor markets, nor add to the sum-total of production; all it can do is to displace and divert capital and labour from one industry to another.—(b) That it is a fallacy to suppose that there is an unlimited supply of labour, and especially of skilled labour, in the country, or that we can do everything at once.—(c) That, therefore, a new trade is not worth creating unless it is a more profitable trade than the one it displaces.

26. (a) That it would be impossible justly to decide which particular industry should be selected for protection; and pressure, wire-pulling, and corruption would be rampant.—(b) That, under protection, the general interest is left out of account. In the United States, the capitalists and protected manufacturers spend millions at the elections, dictate to a considerable extent the nomination of members of Congress, control its actions, own the great newspapers, purchase favourable legislation, and debauch the people.—(c) That free trade has done much to maintain a high standard and absolute purity in the British Government, House of Commons, and Civil Service.

27. (a) That only a limited number of trades and industries could possibly benefit from protection, nor, indeed, be protected. The great export trades in cotton, woollens, steel, iron, &c., would not be assisted by protection.—

* See *Retaliation*, and Appendix III., No. 13.

(b) That a vast number of home industries are unassailable by foreign competition, and do not therefore require to be protected.—(c) That the most that could be done would be to protect some home industries at the expense of all the other industries; for the cost of production of all industries would be increased.

28. That it would be impossible, however, to protect one branch of manufacture or industry without assisting all. Each has as good a claim to protection as another, and would not rest content to see others protected at its expense, whilst obtaining no advantage itself.

29. That though, at the moment of imposition, protective duties might benefit the particular manufacturer, the inevitable rise in the price of all commodities would soon make them worse off than before.

30. That the artificial fiscal assistance given to one class of the community would be given at the expense of all other classes. As the object of protection is to enable the particular home producer to obtain a higher price, the consumer would have to pay more for his purchases, inasmuch as the price of imported goods would be enhanced by the duty, and more than the duty; while the price of similar goods produced at home would be correspondingly raised.*

31. (a) That protective import duties are paid by the importing consumer, not by the exporting producer.†—(b) That the more the consumer has to pay for his goods, the less he has to spend on other things, and therefore the less the demand for commodities as a whole.

32. (a) That all the classes in the community dependent on non-competitive trades—building trade, railways, &c.—or receiving fixed incomes or salaries—professional men, clerks, servants, employees, &c.—while suffering from the increased cost of living, could gain no corresponding

* See *Preference*, against, No. 35.

† See as to a corn duty Blue Book Cd. 1761, pp. 124-126.

benefit.—(b) That even if working-men obtained more employment (which is denied) and higher wages (which is also denied) in consequence of protection, they would be none the better off—the price of commodities would rise in a still greater ratio, and the purchasing power of their wages would be diminished.*

33. (a) That the most vigorous, healthy, and profitable trades do not require protection, and would be injured by it. State assistance (at the expense of the community and of other trades) would be chiefly invoked to bolster up the least efficient and worst equipped branches of trade; industries which would not naturally flourish, and the capital invested in which could be better employed in some other way.—(b) That trade that cannot maintain its existence without State assistance is not sufficiently advantageous to the country to be worth protecting.

34. That a trade which is unsuitable, and cannot hold its own, does not suddenly disappear, throwing a large number of men out of work, but gradually shrinks and decays, giving time and opportunity to labour and capital to transfer themselves to another industry.

35. (a) That a free market and open competition is stimulating, invigorating, and productive; while State protection is enervating and deteriorating.—(b) That in the old days of protection, it was the most protected trades, such as the silk trade and the woollen trade, &c., which suffered most from vicissitudes and from depression.—(c) That freedom of enterprise and cheapness of production has induced and enabled many of the trades most injured by protective duties to seek and to find better markets elsewhere.—(d) That some trades, the iron trade especially, are continually passing through natural crises owing to the replacement of old processes for new. These improvements and developments would be hampered and delayed under

* See *Preference*, against, Nos. 37-42.

protection, and the British manufacturer would be less able to compete with his foreign rival.

36. (a) That protective duties, once imposed, could never be repealed ; and, however moderate at first, would infallibly be increased. The industry, enervated by protection, would be less able to stand against foreign competition ; and (as seen abroad) would be ever clamouring for, and receiving, greater protection at the expense of the community ; while vested interests would be created, and grow stronger every year.—(b) That the producer would depend on Parliament for his profits rather than on his own industry.

37. (a) That in Germany protection has created Syndicates and Cartels, and has increased Socialism to an alarming extent. In America it has produced and fostered Trusts, Rings, and multi-millionaires.—(b) That Trusts, Syndicates, and Combines are only possible, on a large scale, when they are free from foreign competition. They flourish under protection and retaliation, not under free trade.—(c) That if the foreign competitors were withdrawn or reduced in consequence of protection, Rings and Trusts would be formed, which would force up the home price of articles used in manufacture or in shipbuilding, &c., greatly to the detriment of these industries, and to trade generally.

38. (a) That the excess in the value of our imports (the goods that we buy) over our exports (the goods that we sell), indexes our accumulated wealth and our profitable foreign trade.* It does not in any way show that our expenditure exceeds our income.†—(b) That the excess balance is due (i.)

* See Appendix III., No. 2, and Cd. 1761, p. 102.

† A sample imaginary case will illustrate the point. Woollen goods to the value of £1000 are exported to the Argentina, and appear as £1000 in the export tables. The freight (paid to an English shipowner) is, say, £50, and, including this, the goods are sold in Buenos Ayres at a profit of £100. With the £1150 he has thus received, the merchant buys £1150 of wheat, and brings it to England. The freight is, say, £60, and this is added to the value of the wheat when declared an importation here. Thus, declared exports, £1000, declared imports, £1210, excess of imports, £210, and this on a transaction that is clearly advantageous to this country.

to the interest on our foreign investments, and (ii.) to the profits on our trading, shipping, insurance, etc.*—(c) That trade is in essence merely barter, the exchange of goods against goods. Money is merely a go-between; a useful common denominator, but goods are not paid for in gold. Imports are paid for by exports.—(d) That our exports are the sacrifice we make (the goods we give), the imports the reward (the goods) we receive; and on balance there is a large gain; unless this were so, we should be impoverished instead of being enriched by our foreign trade. That the greater the amount of exchange, the greater the gain. Diminish the imports, and the exports will be affected. It is the *volume* of trade, not specially the amount of the exports, that is the true test of trade prosperity.

39. (a) That clearly we are not living on our capital. The whole income-tax returns, and the estimated income derived from foreign investments, prove that both our home and foreign investments are increasing, and not diminishing.†—(b) That the export of coal is no more the export of capital than is the export of articles which consume coal in their manufacture. Further, coal is of no value unless worked and sold; operations which imply employment, conveyance, handling, and which increase the wealth and capital of the country.

40. (a) That the practical difficulties in the way of imposing protective duties are very great; such imposition would be fiscally, financially, and commercially inexpedient.—(b) That the imposition of manifold protective duties would necessitate a complicated and elaborate tariff, which would involve great expense and loss of time, harassing fiscal regulations, and impediments to trade, in declaration, examination, and handling of goods; would

* See Appendix III., No. 1. In Cd. 1761, pp. 101-103, (i.) is officially estimated at 60 to 70 millions, and (ii.) at 90 millions.

† See Appendix III., No. 1.

involve an army of officials and custom-house officers, and would lead to the recrudescence of smuggling.

41. (a) That it is not proposed, for purely protective purposes, to levy a duty on *Articles of Food* (including articles of consumption already highly taxed, like tea, tobacco, sugar, wines, spirits, etc.), amounting in all to £230,000,000.—(b) That it is generally agreed that the *Raw Material of Manufacture*, amounting to £180,000,000, must not be subjected to a duty; for such a tax would greatly injure our own manufacturers.—(c) That these two items (taking the total imports at £530,000,000) make up four-fifths of the whole imports.*

42. (a) That the balance of about £120,000,000 consists of *Manufactured* articles and *Semi-manufactured* articles. But these last, amounting to £30,000,000, are the raw material of finished manufacture, which it would be inexpedient to tax. Thus is left a total trade in “manufactured” articles of some £90,000,000 at the most against which protective duties might be levied.—(b) That much of this total consists, however, of “fancy goods,” which do not really compete with home industries,† or which would only be bought if of foreign make. Of the balance, few articles are of such a character, or imported to such an amount, as would either repay the imposition of a duty, or give protection.‡ (c) That, further, much of the so-called “manufactured articles” really constitute the raw material for divers home industries; and its

* See Appendix III., No. 4.

† Such as china, artificial flowers, pigments, marbles, toys, drugs, musical instruments, embroidery, pictures, &c. Taxation on these or similar articles would only bring in a few thousand pounds to the Exchequer.

‡ The only finished manufactures imported to any substantial amount are as follows:—Silk goods, thirteen millions; woollen goods, nine millions; iron and steel goods (including machinery), nine millions; cotton goods, four and three-quarter millions; glass, three millions and a half; gloves, one and three-quarter millions; and lace, two millions. Considerably under fifty millions sterling in all. Of these, moreover, silk, gloves, and lace are foreign specialities. See Appendix III., No. 4.

importation enables the British manufacturer to produce at a cheaper rate, and therefore to compete better abroad. No real dividing line can be drawn between the raw material and the finished manufacture.* The finished article of one branch of trade forms the raw material of another, and gives rise to the further employment of capital and labour.

43. That the ramifications of trade are so diverse and complicated, that the protective taxation of a particular article, at a particular stage, while possibly benefiting (by protection) one branch of trade, might, and probably would, seriously injure another, and even more important branch of trade.

44. That it would be madness to reverse our whole commercial and fiscal system, and to disorganise our external trade of between £800,000,000 and £900,000,000 for the sake of attempting to tax, at the most, some £50,000,000 of foreign manufactures.

45. That it is a fallacy to suppose that, with protection, the home manufacturer, instead of the foreigner, would supply the demand for the manufactured goods, now imported, and that by that amount the home trade would be increased. As the price of all manufactured articles would be raised, less goods would be consumed at home; while as less goods would be bought from the foreigner, by that much his demand for our goods would be reduced, and our export trade would be diminished. Moreover, a large portion of the manufactured imports are articles of luxury or fancy make, such as could not be made in England, or if of English make would not be bought.

46. (a) That our imposition of protective duties on foreign goods would lead to retaliation on their part; they could injure us much more than we could injure them;

* "What is raw material? Take the iron industry for instance. Pig iron is raw material to the bloom-makers. Blooms, again, are raw material to the bar-rollers, and bars, again, are raw material to sheet-rollers and wire-drawers; and, again, wire is raw material to the screw-makers, etc."

while the mutual retaliation would seriously affect the volume of trade.—(b) That our exports of manufactured goods on which protective duties could be placed vastly exceed the imports of manufactured goods against which we could impose protective duties. Thus our powers of attack, as compared to the power of retaliation, are out of all proportion, making it practically impossible for us successfully to retaliate on foreign countries.*—(c) That, with the single exception of France, we export to every protectionist country a greater amount of manufactured goods than we import from them.

47. (a) That protective duties, as a means of raising revenue, are hurtful and unsatisfactory. The cost to the consumer of the whole supply of the article taxed, whether home, colonial, or foreign, is raised by the amount of the tax, while revenue is received only from that portion of the article which is imported from abroad.†—(b) That so far as the system of protective duties was effective, we should get neither goods nor revenue; both tax-payer and consumer would lose.

48. That it is perfectly compatible with real free trade to impose import duties for revenue purposes only (i.) By levying import duties on certain articles not produced at home, and therefore not competing with home produce or manufactures; (ii.) by levying a custom duty equal to the excise duty imposed on articles of domestic production, or *vice versa*.

49. (By some.) That the present system of partial free trade is, on the whole, beneficial to England, especially in regard to the United States of America. If America were not handicapped by her protective system, she would constitute a most formidable commercial rival to England.

* See *Retaliation*, against, Nos. 10, 14, and 15.

† See *Preference*, against, No. 35.

“RETALIATION”

It is proposed that we reassert our right, in carrying out fiscal arrangements, or in negotiating Commercial Treaties with other nations, to impose on the import of their goods “retaliatory” duties, if they on their part—

(i.) Penalise the imports of Colonial produce because the Colonies, or a particular Colony, has granted to the Mother country, or has received from her, preferential treatment.

(ii.) Will not give reciprocal or “fair” treatment to the goods we export to them; or treat us “with outrageous unfairness.”

And (iii.) that such retaliatory action should be more especially directed against the import of foreign goods that are “dumped” here, *i.e.* that are imported and sold here at a price below the commercial cost of production.

The retaliatory duties would be maintained until the foreign protective country agreed to our terms, when they would be relinquished, and only held in reserve.*

The arguments already given in favour of Protection for the most part apply equally to the question of Retaliation.

But the proposal is also upheld on the grounds:—

1. (a) That free trade means the unrestricted interchange of commodities at their natural price.—(b) That this principle

* No definite and specific scheme has yet been formulated, or placed before the country, whereby a general policy of Retaliation can be carried out.

is entirely abrogated as regards our exports to protective countries, in consequence of the hostile, protective, or prohibitory duties that they levy against our goods.—(c) That the position has become generally worse, especially in the last twenty years. Tariff walls have shut out our competition in protectionist countries, while free imports facilitate the sale of their goods in this country.

2. (a) That the form which protection has taken has sensibly altered during recent years. Foreign countries no longer restrict their activity to the protection of their own market. They give a kind of protection which assumes an offensive shape, and which leads to the invasion of the markets of other countries by their highly-protected produce.—(b) That, sheltered by the constantly-increasing tariffs, there have grown up in Europe and America huge trade combinations, or huge trusts, which not only monopolise the home market of their own country, but which stimulates the production of vast quantities of goods which the home market cannot absorb, and which are sold at very low rates, in some cases below the cost price, in the markets of other countries.—(c) That these transactions are rendered possible by bounties, subsidies, relief from taxation, low charges on freights, &c., given sometimes by the Government itself, sometimes by trading associations.—(d) That the foreign producer, having the monopoly of the protected market, as well as free access to the English market here, is able to produce on a large scale, and to keep his machinery running full time, and thus to produce at a low price.*—(e) That thus, in all these ways, the foreign producer is able to export goods to this country at a price with which it is hopeless for the home producer to attempt to compete.

3. (a) That, besides this, there is the unfair and illegitimate competition of the foreign sweated industries, against which the British manufacturer and the British workman

* See *Protection*, for, Nos. 22 and 23.

should be protected.—(b) That the British workman is protected against insanitary conditions and against sweating, by Factory Acts; and, by the operation of Trade Unions, the “Fair Wages’ Clause,” &c., enjoys good wages and short hours. This very protection, by increasing the cost of production, tends to destroy British industries, unless it is supplemented by protection against underpaid industry abroad. If sweating is prohibited here, the produce of foreign sweated labour should also be prohibited.

4. (a) That in all these instances there should be retaliation, either by prohibition or by means of retaliatory import duties, to counteract the illegitimate advantages enjoyed by the foreign producer and importer; and sufficient to place the British producer and exporter on a fair competitive footing.—(b) That each particular case must be judged by its merits, and a decision come to as to how far, by means of cheap labour, by actually maintaining a high price in the home market, by bounties, subsidies, or trade combinations, &c., the articles in question can be brought over here and sold at a price below the fair cost of production. The retaliatory tariff would be based on these considerations.

5. That, more especially, should retaliation be directed against the Syndicates, Trusts, Cartels, and Combines that have sprung up so rapidly of late years, and which are becoming increasingly formidable, by artificially and unduly inflating or depressing prices, and by dislocating and disorganising the course of trade.†

† For instance, “The syndicate of rail manufacturers sells rails in Germany at 115 marks the ton and at 85 marks abroad; sheet iron is sold at 125 marks a ton in the home market and at 100 marks a ton on the foreign market; the Union of Nail Manufacturers sells its products at 250 marks a ton in Germany and at 140 marks a ton abroad. The absurdity of the system in respect of the so-called ‘coal famine,’ when the price of pit coal in Germany rose to 18·50 marks the ton, while it was being at the same moment exported to Austria at 8·80 marks a ton.”—*Lord Lansdowne, quoting Dr Raffalovich, H. of L., 15th June 1903.*

6. (a) That we are entitled to demand reciprocity, *i.e.* equal treatment on both sides, and this can only be obtained by means of retaliation.—(b) That “Retaliation” in no way implies “Protection.” Reciprocity is the keystone to free trade, and without it the latter cannot exist. The object of retaliation is to extend the freedom of trade and of commerce, by forcing other nations to adopt the principle, or at least to move in that direction.

7. (a) That the way to encourage freedom of trade is to discourage high tariffs. This can only be done by negotiation, and negotiation can only be effective if both sides have something to give and something to withhold. Without liberty to negotiate, and something to negotiate with, a good bargain cannot be made.—(b) That the weapon of retaliation is necessary in order to bring protectionist nations to their senses, and to force them to come to terms.—(c) That England, in the process of adopting free trade, has gradually stripped herself of the fiscal weapons by which alone the war of tariffs can be fought. These she must resume, and place at the disposal of the Government, in order to retain freedom of negotiation, which means freedom of trade.

8. (a) That it is idle to expect other nations to modify their policy, or to adopt the principle of low duties, unless we retain in our hands the power, by retaliation, of forcing them to adopt it, at least as regards our goods.—(b) That, if they refused to come to terms, we should be able to continue to tax or prohibit their goods so long as they taxed or penalised ours.

9. (a) That though nominally we enjoy “most-favoured-nation treatment,” as a matter of fact, in consequence of our being unable to negotiate on equal terms, the heaviest duties are imposed on the goods imported from us, the lightest duties are on the goods principally imported from other protective (and retaliatory) countries.—(b) That this is more

especially the case in regard to the more highly refined or finished goods, which are the really profitable part of manufacturing.

10. (a) That the imposition of reciprocal duties would give us a leverage whereby we should be enabled to negotiate fair Commercial Treaties with other countries; be saved from their hostile interference or caprice; be less dependent on them for our supplies of goods and food; and, in the long run, we should be buying in the cheapest market and selling in the dearest.

11. (a) That, being as we are the one open market of the world, we are the one "dumping" ground of the world; our isolated free trade position greatly aggravates the situation.—(b) That, thus, our one-side fiscal system greatly handicaps our produce and manufactures, and renders fair competition wholly impossible, both in the home as well as in foreign and neutral markets.

12. (a) That, British trade and commerce, which, if given a fair field, is perfectly able to hold its own, is gradually being ruined by illegitimate competition.—(b) That this is more especially the case in regard to the oldest and most important trades—the textile trade, and the iron and steel trades—which are not only suffering in the matter of exports, but which are severely hit by the foreign competitive imports.*—(c) That "dumping" is especially prevalent in the case of the iron and steel trades.*

13. (a) That the chief object of "dumping" is to capture the British market by ruining the British producer. Once captured, the prices would be put up to monopoly level.—(b) That, therefore, while the consumer, or some producers, may for the time being gain from "dumping," by being able to buy their commodities artificially cheap, the result in the end, when the competition is destroyed, will be that they will

* See Appendix, No. III., Nos. 5 and 7.

have to pay inflated prices.—(c) That any present gain to one home industry, due to “dumping,” is more than counter-balanced by loss and ruin to other home trades. And by the time the “dumping” has served its purpose and prices are again put up, the latter trades will have disappeared, while the former trade, over-dependent on artificially cheap material will find itself crippled.

14. That it is not an advantage that one particular home industry, or one section of the community, should benefit at the expense of others; or that the workers in one trade should work short time, in order that the workers in another should earn higher wages.

15. That as the object of retaliation is to obtain a reduction in the protective duties, and fairer terms of competition, a temporary loss (in consequence of the imposition of retaliatory duties) to a trade or to the consumer (even if it occurred) would be more than offset by the future advantages to trade. In such a matter as this, we may fairly do temporary damage for permanent gain.

16. (a) That no war of tariffs or reprisals need be feared. Ours is the “biggest revolver,” and the foreign nations would “come down” if we made it clear that we should not hesitate to shoot.*—(b) That the protective duties of other countries are already so high that they could not well be increased. The war of tariffs exists, but at present it is all on one side.

17. (a) That if the Executive were entrusted with a general power to retaliate where it was thought necessary, or to negotiate on reciprocal terms, no action on their part would probably be necessary; the power and the threat would be sufficient to ensure success.—(b) That even if it came to a war of tariffs, we, possessing the largest trade, and being in the strongest financial position, would come off victors.

18. (a) That, already, the first step in retaliation has been

* See Appendix III., Nos. 5 and 8.

taken, and taken successfully, in regard to sugar. Our mere threat to prohibit bounty-fed sugar was sufficient to bring about a general International agreement to abolish the bounties.—(b) That the principle can easily be extended to coal, iron, textiles, and any other of our productions which are unfairly treated.

19. (a) That if action became necessary, it would not be difficult to decide what foreign import should be penalised, and in what way, and how far this should be done, in order to bring the foreign nation to its senses, and to place the British competitor on equal terms.—(b) That the particular home competitive industry would be benefited while the protection lasted; and would be permanently placed in a satisfactory position when retaliation ceased, in consequence of the protective country agreeing to our terms.

20. (a) That the United States are the greatest offenders, and we could easily retaliate on her by heavily taxing her imports, which amount to £127,000,000 a year, while our imports to her only amount to £43,000,000 a year.*—(b) That, moreover, our exports to the States consist largely of articles of the nature of luxuries, which are so heavily taxed that the duties could not easily be increased; or, even if they were, the demand would not be much affected.

21. That, as regards Germany, our greatest trade rival, we import £34,000,000 from her, and export £33,000,000 to her. She is therefore as vulnerable as we are.

22. (a) That more especially must we retain in our hands the power of retaliation against any foreign nation that seeks to prevent the free exercise of the right of a British self-governing Colony to enter into closer trade relations with the mother country. The fiscal relations between the mother country and the Colonies must be absolutely protected from foreign interference, direct or indirect.*—(b) That we cannot

* But see Appendix III., No. 13.

* See *Preference*.

allow our Colonies to be treated by foreign nations as separate entities, and not as integral parts of the Empire, simply because we have given them self-government and fiscal freedom.

23. (a) That unless we come effectually to the rescue of the Colonies, and assert ourselves, there is an end to all hope of closer fiscal union within the Empire.—(b) That, under present conditions, we are in the humiliating position of being absolutely helpless to protect Canada or the other Colonies from hostile or discriminating attack.—(c) That the German Government has penalised Canada’s imports, on the avowed ground of the preference she has given to goods from the United Kingdom. In spite of repeated expostulations, the German Government have maintained their hostile reprisals, and also threaten further discrimination, not only against Canada, but against every other Colony that follows her example, and even against Great Britain herself if she accepts these advantages to the detriment of German trade.

The arguments already given against Protection mostly apply also to the question of Retaliation. But the imposition of Retaliatory duties is also opposed on the grounds:—

1. (a) That trade is not warfare, for which retaliating “weapons” are required. Mutual trade is an advantage, not an evil. It is a benefit to obtain goods as well as to sell them; and indeed, in the long run, the one cannot be done without the other.—(b) That greatly to our own advantage, England has been, till now, the peaceful mart for all goods from all the world. By entering into a war of tariffs we should become a hostile and disturbing factor in international trade.

2. (a) That the imposition of Retaliatory duties would

result, not in greater freedom of trade and of commerce, but in greater restrictions all round. Experience shows that retaliation does not lead to agreement and reduction of duties, but to further retaliation; not to the breaking down of tariff walls, but to the erection on both sides of still more insuperable barriers to trade.—(b) That, indeed, as the object of protective duties is to protect, and as the object of bounties, &c., is to foster trade, it is highly improbable that other nations would give way to our demands; and certainly not without a severe fiscal struggle, and a disastrous war of tariffs.—(c) That the competition that the foreign producer most fears is that of British goods, and retaliation is more likely to be answered by prohibition than by reduction of duties.

3. (a) That Retaliation would involve us in commercial war with the whole world.—(b) That we, being the greatest trading nation, and the greatest exporting nation, stand to lose most from any further restrictions on trade, or dislocation of commerce.*

4. (a) That, though we are a free trade nation, and therefore have no “weapon” of offence for use in our commercial negotiations, we nevertheless enjoy the “most-favoured-nation treatment” in every country (*i.e.* any fiscal benefit or relaxation given to another country is granted also to us). In no case (with the exception of Portugal and Haiti) are products worse treated, and in some cases we enjoy considerably better treatment than other nations who negotiate Commercial Treaties by means of threats and retaliation. Our valuable custom and our open mart are our best “weapons.”—(b) That the benefits we thus derive would be lost if we discriminated between country and country, or between goods and goods; and especially if we plunged into a war of retaliatory tariffs.

* See Appendix III., No. 7.

5. (a) That to base our tariff on, and to vary it according to, the conditions under which production takes place abroad would be pure protection.—(b) That Retaliation is simply Protection in disguise; and, whatever the ultimate object, it would inevitably and rapidly lead to a system of protection all round.

6. (a) That even if originally imposed for the somewhat harmless purpose of negotiation, the retaliating duties would soon be looked on, and become purely protective.—(b) That in each case (and they would be frequent) in which retaliation was unsuccessful, the retaliatory duty, imposed for a temporary purpose, would remain a permanent, and therefore a protective, duty to the particular home industry.—(c) That experience conclusively proves that a protective duty, under whatever guise, once imposed, becomes subsequently difficult or impossible of relinquishment.

7. (a) That the object of a retaliatory duty is to protect a particular industry from a particular form of competition, legitimate or illegitimate, by placing heavy or prohibitive duties on the foreign article of import. No one trade has a greater claim to protection than another, and nearly every industry could show “unfair” treatment also in its own case, and would be equally justified in claiming reciprocal protection.—(b) That, as the protection of one trade leads directly or indirectly to the disadvantage or injury of others, each industry could claim some compensating assistance or protection.—(c) That, thus, protection under the name of retaliation imposed in one case, would inevitably lead to a claim for protection in all cases.

8. That under free trade the fiscal interests of the various industries do not conflict. But retaliation would benefit one industry, and injure another, and by giving rise to conflicting claims for assistance, would lead to sharp and direct antagonism and conflict between trade and trade.

9. (a) That it would be absolutely impossible for any Government, or any Department, to work out the equity of a particular reciprocal duty; to say which industry was especially entitled to receive protection, and in what way; and to decide to what extent it was unfairly treated, and in what way and to what extent it should be protected.—(b) That none of the factors which go to make up the alleged “illegitimate advantage” can be reduced to figures, and so be accurately countervailed. The adverse effect of trusts, of cheap labour, of indirect bounties or subsidies cannot be estimated; nor the advantage obtained by the competing producer from protection.

10. (a) That in most cases, the retaliatory duties could not be effectively applied against the import of goods similar to those of the industry that was suffering most from protective duties. Retaliation would have to be carried out by the taxation of a foreign import of a different nature to the home trade that it was desired to protect.*—(b) That, thus, for the time being, so long as the retaliatory duties remained in force, the particular trade for whose benefit they were imposed, would receive no benefit, and indeed might suffer from further retaliation; while another industry altogether, that was not suffering from undue foreign competition (or it could itself have claimed to have retaliatory duties imposed), would be protected and subsidised.—(c) That, if the retaliatory policy were unsuccessful, this trade (that

* For instance, Russia, the most protective nation, heavily taxes our imports, especially our manufactures. But we import practically no manufactures from her. Thus Retaliation on Russia must take the form of taxation of food-stuffs or raw material, for there are no manufactures to penalise. Similarly, the United States, only second to Russia in the severity of its protection tariff, hits, for instance, our linen and our woollen manufactures very hard; but we import no linen or woollen stuffs from America, and so some other American industry, other than the woollen or linen industry, must be singled out for attack. This would have to be food-stuffs, or raw materials, for we import only a small amount of manufactured articles from the United States. See Appendix III., No. 13.

required no assistance) would continue to benefit, while the other trade (that required assistance) would continue to suffer.—(d) That if the policy were successful, and the retaliatory duties thereupon relinquished, the latter trade would at last benefit; but the former, by losing its protection, would now itself be injured.*

11. (a) That the industries that, in the long run, would suffer most, if the policy of retaliation were successful, would be just those which had been picked out for experimental protection. The imposition of heavy import duties would protect the particular home trade, and by so doing, would foster an increased output at home.—(b) That sooner or later, the retaliatory policy would be successful in inducing the foreign nation to come to terms, and to reduce her duties. The retaliatory duty must then be taken off, and the foreign goods are again freely imported, in competition with the home industry. The artificial inflation in prices and production in the home industries, created and stimulated by the retaliatory-protective duties, would disappear; the industry would be adversely affected, and capital and labour would suffer. It cannot be a sound fiscal policy to foster or to create by the imposition of a duty, only to destroy when the duty, having played its part, has to be repealed.

12. That the probable alternative would be that the powerful vested interest that would spring up under the retaliatory duties, would be strong enough to resist their abolition. The policy of retaliation would have therefore failed to lower the foreign duties, and would have saddled us with protective duties of our own.

13. That, in international competition, the best protection

* For the development of the above arguments, and of the argument contained in No. 14, the reader is referred to a Paper of mine, *Retaliation: Is it Feasible?* published by the Cobden Club.

for our working classes lies in good conditions of employment. These are best obtained and retained by free trade.*

14. (a) That it is not sufficient to assert that the mere threat of retaliation would bring a particular protective nation to its senses. If we threaten, we must be prepared to act, and the method of action must be thought out beforehand.—(b) That the policy of Retaliation can only succeed if we can convince the particular protectionist country that we have the power and the will to injure her trade more than she can injure ours; and so induce her to come to terms.

15. (a) That we are not in a position to retaliate without injuring ourselves more than we should injure the foreigner. In every case our exports of manufactured goods, which are most hit by the tariff, are greatly in excess of the imports to us of their manufactured goods on which we could retaliate.—(b) That this is more especially the case in regard to the most Protective countries, Russia and the States.—(c) That the United States injures us most in the matter of protective duties and of “dumping”; yet, except by taxing the food of our own people, or the raw materials of industry, we are powerless to retaliate on her. The same holds good of Russia.†

16. That Retaliation (equally with “Preference”) would inevitably lead to a tax on food. By the taxation of food-stuffs alone (the taxation of raw materials being barred) could successful retaliatory pressure be brought to bear on the more protective nations.‡

17. That retaliation on our part would diminish and not increase the export of our goods to protective countries; for retaliation would be met by the imposition of higher duties on our goods.

18. (a) That while the Customs difficulties in the way of

* See No. 6, p. 15.

† *Vide ante*, note p. 38, and Appendix III., No. 13.

‡ See Appendix III., No. 13.

carrying out a system of protection are great, the difficulties of carrying out a retaliatory policy are far greater, for it would necessitate discrimination between countries as well as between goods.—(b) That universal examinations of all imports, with the attendant evils of cost, friction, and delay, would be necessitated. Moreover, certificates of origin would be essential; and certificates of origin are vexatious, open to great abuse and easy evasion.—(c) That selective taxation is moreover impracticable, for there is no criterion by which Customs officers could decide on importation whether goods were going to be “dumped” or not. The declared value of the goods might be satisfactory, and yet the goods might be ultimately sold below cost. The goods cannot be followed into the market.

19. That there is a great exaggeration in regard to the amount of “dumping.” How little the iron trade, the alleged chief sufferer, has been really injured by dumping, is shown by the figures of trade, and by the gross income assessed to income-tax under the head of ironworks.*

20. (a) That much of the underselling by foreign goods is due to the very prosperity of our own industries of late years. The English manufacturer, working to his full capacity, either cannot take further urgent orders, or will not quote a low price, and the goods are obtained from abroad.—(b) That “dumping” can only be a temporary matter and due to temporary causes, such as miscalculation, over-production, or compulsory sale under commercial pressure. No producer can afford indefinitely to continue to sell at a loss.

21. (a) That while there may be cases of goods sold

* The profits (as assessed to income-tax) of the iron trade were £3,000,000 in 1898-99, £3,211,000 in 1899-1900, and £5,380,000, in 1900-1. Between 1896 and 1900 the value of steel and iron manufactures imported from Germany was £891,000; our total similar exports during the same period were £49,000,000.

here at unduly low prices, the vast bulk of the imported goods, which compete with home production, are produced legitimately and sold at a fair profit. To tax such goods would be pure protection to the British producer.—(b) That retaliation would be directed against the free import of the best and cheapest goods—for if not cheap and good they would not find a market here—to the disadvantage of the consumer, and of the manufacturer who largely utilises such goods.

22. That it cannot be to our disadvantage to be able to buy cheaply, or at even below cost price. We benefit entirely at the expense of the foreigner.

23. (a) That goods are “dumped” elsewhere than in England, and the foreign producer, who is thus enabled to buy cheap, would be advantaged in his competition with the English producer if the latter were prevented from buying cheaply also.—(b) That if “dumping” is prevented here, the goods would be diverted to the neutral or Colonial markets, increasing the present severity of the competition in those markets.

24. That any system of preference, retaliation, or protection that checked foreign imports, and competition in raw materials, would be far more disastrous than any possible “dumping.”

25. That the Colonies are strongly protectionist, and also “dump” goods here as well as foreign nations. If foreign protection and cheap goods are an injury, Colonial protection and cheap goods equally injure us, and would equally necessitate retaliation.

26. (a) That in any case the consumer benefits from the low price at which he can buy.—(b) That, in most cases, these cheap goods form the basis of some further process, and the fact of being able to buy them cheap, enables the

British manufacturer to sell cheaper to the consumer, and to compete better with his foreign rival.*—(c) That what the maker of semi-manufactured goods loses from “dumping,” the maker of finished goods gains, and the community as a whole benefits, for the manufacture of finished goods gives the most profitable employment.

27. (a) That Trusts, Rings, Combines, Syndicates, &c., are best dealt with by the operation of the unrestricted competition which goes with free trade. Any limitation of free interchange would assist the operations of existing foreign Trusts, &c., and would encourage their creation here. Tariffs breed Trusts.—(b) That the German syndicates, &c., constitute a greater evil to their own home industries, by artificial interference on the operations of trade, than they do to the British competitor, and great complaints are made against them in Germany.

28. (a) That it might be conceivably necessary to take action against another country, or against the action of Trusts or Combines, if commercial treatment were meted out to us, that was specifically hostile and unfair. But, before resorting to retaliation, it should be shown that there was no other way of achieving the desired result, that commercial reprisals would be effective, and that they would not injure us more than our adversary.—(b) That a new fiscal policy should not be inaugurated in order to deal with an emergency that may seldom, perhaps never occur; and which, if it did occur, could and should be dealt with by

* For instance, Spanish iron ore is imported into England in English ships. It is worked into iron bars here. These are sold at a fair price to Germany, and are made by them into steel forgings. The steel forgings are sent to England, again in English ships, and sold here at a low price, much lower than the price prevailing in the German market; and they are then used in building ships, etc. The consequence is that the ships can be built at a much cheaper rate here than in Germany, which enables us to retain the supremacy in our shipping trade.

special legislation.—(c) That the case of the sugar bounties forms a precedent for exceptional treatment when a particular case arises.

29. (a) That it is not necessary to arm the Executive with any fresh fiscal powers. Under the existing state of things, the Government can, if they wish, at any time, ask Parliament for power to deal, by way of retaliation or otherwise, with any special fiscal question that may arise.—

(b) That the only alternative to this, is to give the Executive Government a general power to impose retaliatory duties on their own initiative, and without asking the assent of Parliament. To give power to a Government arbitrarily to interfere with any trade at any time, and to alter taxes without Parliamentary sanction, would be unconstitutional and dangerous.

30. That if the Government possessed a general power of imposing retaliatory duties at their will, the Executive would be perpetually exposed to undue pressure or corrupt influences on the part of different trades.*

31. (a) That the question of the fiscal treatment of the self-governing Colonies does not really arise in connection with Retaliatory duties.—(b) That the British Government has already declared that the self-governing Colonies are fiscal units, with entire fiscal independence; and this absolute fiscal freedom the Colonies desire to retain. If they are treated as fiscal units in one matter, they must be treated as fiscal units in all matters.—(c) That, as the exports from foreign countries to the Colonies consist mainly of manufactured articles, while Colonial exports to them consist almost exclusively of articles of food, it is recognised that, if discrimination did take place, “the Colonies have an effective remedy in their own hands.” †

* See also 26 (a), p. 20.

† Report of Colonial Conference, 1902, p. 38.

COLONIAL PREFERENCE

It is proposed that fiscal arrangements should be negotiated within the Empire which would give a material commercial advantage to all its parts. Under this scheme, the Colonies and Dependencies would give preferential advantages to the Mother country, in the nature of lower duties on the import of the goods of Great Britain over those charged on the goods of other countries ; while, reciprocally, the Mother country would admit Colonial produce free, or at a lower rate than that charged on competing Foreign imports, either already taxed, or to be taxed if the scheme came into operation.

This proposal is supported on the grounds :—

1. That Imperial Federation can only be founded on a system of fiscal union. Imperial unity involves commercial solidarity. Political Union is no use without commercial ties.

2. (a) That if the different portions of the Empire are not to drift apart, they must be knit together more closely by commercial ties. The realisation or abandonment of the idea of Imperial Federation is involved.—(b) That “a system of preferential tariffs is the only system by which this Empire can be kept together.”* In other words, “No Preference, no Empire.”

* Mr Chamberlain at Constitutional Club, 26th June 1903,

3. (a) That the Empire can alone rest upon community of interest, and community of sacrifice.—(b) That the Colonies, both in respect of the assistance they gave us in the South African war, and in the desire they have evinced to contribute to the naval and war expenditure of the Empire, have shown a practical loyalty, which we should reciprocate.—(c) That the Colonies strongly desire a preferential fiscal system, and it is worth some sacrifice on our part (if sacrifice be involved) to bring about this consummation.

4. (a) That the Colonies are anxious to meet us in the matter. Canada is prepared to give further preferential advantages to our goods; Australia and New Zealand have declared that they will place our imports in a better position than foreign imports; the Cape has already granted a preliminary preference.—(b) That it will be deeply disappointing and discouraging to the Colonies if we decline to meet their advances.

5. That especially will they feel resentment if we leave them open to the retaliatory attacks of protectionist countries, because they grant advantages to British goods.*

6. That it would be the refusal to meet the laudable desire of the Colonies, not its acceptance, that would lead to friction and ill-feeling.

7. (a) That it depends on us whether the preferential advantages already given or promised by the Colonies shall be developed in the future, or withdrawn as non-acceptable to those whom it was sought to benefit.—(b) That if the opportunity of fiscal union be neglected, it may never recur; the Colonies, if repelled by the Mother country, must seek commercial reciprocity elsewhere.—(c) That, already, in the case of Canada, it is a question of a reciprocal commercial treaty with us, or with the United States. If we can offer Canada

* See *Retaliation*.

no advantages, and she is forced to negotiate with the States, she will gradually drift away from us and towards America.

8. (a) That, as regards India, there would be no practical difficulty in giving her preferential advantages (for instance on tea) without interfering with her free trade system.—(b) That similarly, in the case of the Crown Colonies, some advantage could be given to each of them.

9. That the arrangement would not lead to any interference with the political independence or fiscal freedom of the Colonies. Each part of the Empire would still retain its entire fiscal freedom, subject only to a voluntary arrangement for the mutual benefit.

10. (a) That the scheme involves no real question of free trade or protection. The question is Imperial and Colonial more than fiscal or financial.—(b) That the justice and expediency of a policy must be judged by the needs of the day, not by the musty formulas of fifty years ago.

11. That Preference is not Protection. While Tariffs restrain the field of commerce, Preference enlarges it.

12. (a) That in the case of Germany, the introduction of the Zollverein system (*i.e.* fiscal freedom within the Empire) has politically and commercially knit together its various parts in a strong bond.—(b) That the fiscal freedom which exists between the States that make up the United States of America has been of enormous advantage to the trade of that country.

13. (a) That complete free trade is not as yet feasible between the different parts of the British Empire. But preference is the first necessary step towards free trade within and throughout the Empire, and the greatest commercial prosperity

of the future is for the nation with the largest free trade area.—(b) That if the British Empire were knit together by fiscal ties, she would have a great industrial and political future before her; otherwise she must remain a conglomerate of isolated economic units.

14. (a) That British trade is becoming ever more and more dependent on inter-Empire trade. Foreign protective nations are increasingly building up their tariff walls, and are developing their own industries. Neutral markets are diminishing, and our trade there is open to ever severer competition.*—(b) That our only hope for the future lies in the Colonial markets, and unless we speedily obtain command of them, they will be captured by the foreign competitor, or become themselves self-sufficient.

15. That it would be to the advantage of the Colonies themselves to make some sacrifice of protection and of revenue for the common object. They would gain by the greater demand for their produce; by shipping it by the trade route protected by the Imperial navy; by exporting it to the country that provides the best and cheapest means of transport, and the greatest and most stable market.

16. (a) That our trade with the Colonies is expanding, our trade with foreign countries is contracting.†—(b) That the British Possessions already take two-fifths of our total home exports; † and at the present rate of development the Colonial will soon exceed the Foreign trade. Trade follows the flag. Preferential duties would encourage the most valuable and the most hopeful part of our external trade.

17. (a) That the Colonies buy far more from us in pro-

* See *Protection and Retaliation*.

† See Appendix III., Nos. 2, 9 and 10.

portion to population than foreign countries.*—(b) That their population is growing rapidly, and its prosperity and increase would be accelerated by the preference given to Colonial agriculture.

18. That it is “best to cultivate trade with our own kinsmen and fellow-subjects, who take from us at the present time more than £100,000,000 in manufactured goods. Shall we lose the opportunity for the sake of an attempt to conciliate 300,000,000 of foreigners, who take from us only a few shillings a head?”*

19. (a) That the value of trade is not to be measured only by its volume. The comparative character of the foreign and the colonial trade must also be taken into account. The Colonies take far more in proportion of our manufactured goods, and especially of the most highly manufactured goods. Exports to foreign countries consist, in a larger proportion, of coal and other irreplaceable raw material. Our exports to these protected countries are decreasing in quantity, and deteriorating in their profitable character.—(b) That our exports of manufactures to foreign countries are rapidly diminishing under the development of their own manufactures, aided by their tariffs. Compensation for the loss of foreign trade must be found in larger Colonial trade.—(c) That “the exports of our manufactured goods to our own Colonies, including India, equal the total exports of our manufactured goods to all the protected states in Europe and the United States of America.”

20. (a) That it is better to cultivate the trade with our own people than to let it go in order to keep the trade of those who are our competitors and rivals.—(b) That the more we buy from British possessions the more they will buy in

* Total white population of the self-governing Colonies eleven million; or about £5, 10s. per head of our imports to them, amounting to about £60,000,000.

return, whereas the gold we pour into foreign countries helps to foster and develop the very industries which are competing with ours more successfully every day.

21. (a) That any loss of foreign trade involved by the change would be very much more than made up by increased Colonial trade.—(b) That there would be no reason why our export foreign trade need be adversely affected.

22. (a) That while our foreign trade is stationary, there are infinite possibilities in our Colonial trade.—(b) That every article that we now obtain from abroad could be produced within the Empire, which might be made self-supporting and self-sufficient. The Empire is so wide in area, its products are so various, its climates so different, that there is absolutely nothing which is necessary to our existence, hardly anything which is desired as a luxury, which cannot be produced within the borders of the Empire itself.—(c) That the Mother country, at least, through the development of the Colonies, could be made entirely independent of foreign food or foreign raw material.

23. That preferential treatment of the Colonies would greatly develop their national resources, by giving them a larger and preferential market for their producers. Thus, not only would their prosperity be increased, but they would become far better customers for our goods.

24. (a) That the scheme involves not the mere exchange of a definite quantity of one trade for a definite quantity of another, but a scheme for the stimulation of every industry within the Empire. A preference given to Canadian corn, for instance, would mean an enormous influx of settlers into Canada. These settlers will want furniture of every kind for their houses, tools and machines of every sort for their farms, tram lines and electric light for their new towns, railways to bring them in touch with their markets.—(b) That these wants would far exceed the power or the capacity of

the Colonial manufacturer to supply, and would be supplied by the United Kingdom.

25. That the whole of the Colonial trade in articles which we can supply, and which are at present supplied by the foreigner, amounting to many millions a year, would, in consequence of the preference, be absorbed by the British producer.*

26. That experience shows that a preference does advantage trade. The Canadian preference given to British goods since 1897 has not only stopped the decline in British imports, but has largely increased them. A similar system applied to other parts of the Empire would lead to similar or even more satisfactory results.†

27. That neither the English manufacturer nor the English consumer would suffer from a system of preferential tariffs. It is not proposed to tax raw materials; and the necessary taxation on food stuffs would be compensated for by reduction in the existing taxation on other articles of consumption.

28. (a) That the English manufacturer would greatly benefit, for he would have a larger and ever-increasing market for his goods consequent on the increased prosperity of the export trade to the Colonies.—(b) That the working man would likewise benefit from the increased trade and consequent employment that would ensue.

29. That "even if the price of food is raised, the rate of wages will certainly be raised in greater proportions." ‡

30. (a) That the cheaper the staple food the lower is the minimum of wages that the poorest class of labour will accept, and *vice versa*.—(b) That wages in Germany have

* See Appendix III., No. 11.

† The rebate is now one of 33½ per cent. on goods from the United Kingdom. The imports from the United Kingdom in 1897 were £6,000,000; in 1902 they were £10,100,000. See note, p. 43; also P.P. 310 of 1903.

‡ Mr Chamberlain, letter, 3rd June 1903.

increased under protection, and in the United States are very high.—(c) (By some) That the taxation derived from the foreign imports of food could be applied to the benefit of working men in the form of old age pensions, or in some other way.

31. (a) That the preference need not involve any very heavy duty on food-stuffs; a small preference would be sufficient to stimulate Colonial production and gradually to substitute for foreign imports.—(b) That there is no proposal to restore the old corn law; half the supply of corn (Colonial and home) would be free, and an abundant food-supply would be secured.—(c) That the proposal is not to raise the price of wheat, but to stimulate the production of wheat within the Empire, on areas most peculiarly adapted to its cheap production on a large scale. The development and organisation of the wheat industry in Canada would probably lead to a fall rather than a rise in the price of wheat.

32. That, while it cannot be stated with certainty on whom falls the burden of a particular indirect tax, it is certain that the main portion of an import duty (such as this) falls not on the consumer, but to a large extent is distributed between the foreign producer, the foreign importer, and the various middlemen.*

33. (a) That, while it is true that “if we are to give a preference to the Colonies we must put a tax on food,” † the taxation levied from corn and from meat could be counter-balanced by the remission of taxation on other articles of consumption which are already taxed (tea, coffee, cocoa, sugar, currants, etc., as well as tobacco), to the extent of £25,000,000 a year.—(b) That thus, for instance, “if a working-man were called upon to pay 3d. a week additional on the cost of his

* This, it is argued, was the case in regard to the Corn Duty of 1902. See, however, Blue Book, Cd. 1761, pp. 124-26.

† Mr Chamberlain, House of Commons, 29th May 1903.

bread, he might be relieved by a reduction of a similar amount in the cost of his tea, his sugar, or his tobacco. What was taken out of one pocket would be put into another."*

34. That by a duty upon corn, we should be making the foreigner contribute to the revenue; and by simultaneous relief on other articles of consumption, we should be benefiting the producers of tea and other commodities in the British Colonies and Dependencies.

35. (a) That even if the scheme involved an actual net tax on food, it would be worth the doing, with a view to knit the Empire together, to extend trade, and to enlarge commerce.—(b) That by encouraging the interchange of British manufactured products for Colonial agricultural products, it would stimulate Colonial farming, direct the stream of emigration to our own Colonies, and so hasten the time when the Empire would be competent to feed itself, and it would be no longer necessary to maintain the tax on food.

36. That dependence on foreign sources for our own food supplies is inexpedient; and would be very dangerous in time of war, when corn might be declared a contraband of war and could not be imported in neutral bottoms.

37. (a) That the home agricultural interest, which has admittedly been most injured by the policy of free imports, would be greatly stimulated and benefited by the taxation of foreign food stuffs.—(b) That thousands of acres would be brought back into cultivation.—(c) That the continuing immigration of the population from the country into the towns, with all its attendant evils—social, economic, moral, and physical—would be stayed.

38. That the old system of Colonial preference was founded on a totally different basis to the scheme now proposed, and forms no precedent nor analogy.

* See Appendix III., No. 14.

On the other hand, it is contended :—

1. That all are in favour of knitting together more closely the Colonies and the Mother country, and are prepared to make sacrifices with that object in view.

2. (a) That fiscal union is not necessarily a part of Imperial Federation.—(b) That the best links are those based on the consciousness of kinship, of common blood, of pride of race, and of history; links that unite without galling.—(c) That, under this system, the Empire has become stronger, wealthier, more united, has grown and flourished prodigiously. There is nothing in the present conditions to warrant the belief that the Empire is on the verge of dissolution, or that it requires the adoption of a new fiscal system to keep it together.

3. (a) That instead of making for Imperial unity, a system of preferential duties would embitter and strain the harmonious relations now happily subsisting between the different parts of the Empire.—(b) That, at present, each self-governing Colony, as well as the Mother country, enjoys complete independence and freedom of action in fiscal, financial, commercial, and industrial legislation. Once make the fiscal system of the Empire inter-dependent, this freedom would disappear, and the interests of the different parts of the Empire would come into collision.

4. That an arrangement which would bind us to admit Colonial goods into our markets on equal terms with our own producers, while English goods were refused admission to the Colonial markets on equal terms with their own producers, would be manifestly unfair. The scheme would be unworkable; an Imperial fiscal system cannot be based at the same time on free trade and on protection.

5. That to associate the Colonies with a tax on food, to connect them with hardship, privation, and discontent,

would render them a grievous burden in the eyes of the English people; and thus the Imperial sentiment, and even the unity of the Empire, would be greatly endangered.

6. (a) That the proposal of preferential rates is mainly based on business grounds, and must be judged from that point of view; namely, whether the price that would have to be paid is greater than the mutual benefits which would accrue.—(b) That the Colonies are asking of us infinitely more than they are prepared to grant to us. A change in our free import policy is of far greater consequence to us than any fiscal change can be to the Colonies. Their grant of preference does not touch their supplies of food or raw material. Our grant of preference would directly affect the whole of our population in the matter of food. The interests of 40,000,000 of people would be sacrificed to the interests of 11,000,000.

7. (a) That the object, and the result of the adoption by Germany of a "Zollverein" was the abolition of all internal barriers to trade. Germany is a free trade nation as regards its 58,000,000 of inhabitants, and over its whole area, which is twice the size of the United Kingdom.—(b) That, similarly, the United States is the greatest free trade nation in the world; there is absolute free trade between its 80,000,000 of people, and over an area of the size of Europe.

8. (a) That the German Zollverein has been of immense political, fiscal, and financial advantage to Germany, by freeing and increasing internal trade, and by consolidating and unifying the interests of the different parts of the German Empire. It has done much to counteract the disadvantages of protection.—(b) That, similarly, the internal free trade of the United States, combined with her natural advantages of climate, soil, minerals, and water, has enabled her trade to develop enormously in spite of her protective system.

9. That a real Zollverein, *i.e.* the adoption of absolute

free trade within the Empire itself, and the abolition of all internal custom-houses (which might be advantageous), is impracticable. The self-governing Colonies being protectionist, and desiring to foster their own industries, would not consent to the free entry of British goods. Depending also, as they do, on customs duties (chiefly on British goods) for their revenue, they could not afford to relinquish these duties.

10. (a) That while a Zollverein, or Customs Union, would constitute a great step in the direction of free trade, preferential and discriminating duties would be essentially protective; and would involve separate bargains of a protective nature with each Colony.—(b) That a system of preferential duties, instead of freeing trade, would necessitate the erection of new and additional fiscal barriers to free intercourse.—(c) That it would involve great complication of tariff, universal examination of goods, extreme vexation and great loss of time; all of which would tend to the disturbance, dislocation, and injury of trade.—(d) That it would be necessary to enquire in each case into the source of origin—a fruitful source of worry, delay, irritation, and fraud.

11. That, at the best, it would merely divert our trade from foreign countries to the Colonies. To divert trade is to diminish trade.

12. (a) That not only is the United Kingdom a free trade country, but India and the Crown Colonies, and to a large extent the South African Colonies also, are on a free trade basis—*i.e.* the taxation is imposed for revenue purposes. The other self-governing Colonies, Canada, Australia, New Zealand, alone are protectionists.—(b) That, thus, under a system of preferential tariffs, free trade England and the free trade Colonies would cease to be free trade, while the protectionist Colonies would remain protectionist.

13. That the Empire would cease to be an Empire at fiscal peace with all the world, and would become an Empire

bristling with tariffs at every point, brimful of retaliation on the slightest pretext, and an object of hostile attack all over the world.

14. (a) That our trade with the Colonies and India represents but a small portion of the whole trade of the country — £225,000,000 out of £880,000,000.* — (b) That India takes nearly one-third of our whole Colonial export trade; and being on a free trade basis, has little to gain and much to lose from the introduction of any system of preferential duties.† — (c) That the various Crown Colonies have little or nothing to gain from a system of preferential duties. — (d) That the protectionist self-governing Colonies (for whose benefit the preferential rates are proposed) represent a total trade with us of about £120,000,000, of which only £60,000,000 represent our exports. — (e) That thus our enormous trade of £880,000,000 is to be disturbed and risked for a problematical advantage to us on a trade of only £60,000,000.‡

15. (a) That our trade with Europe is not falling off; and is more progressive than our trade with the Colonies.§ Comparing 1899-1901 with 1896-98, while our exports to continental nations increased 18 per cent., our exports to British possessions only increased 15½ per cent. — (b) That our foreign trade is of greater importance to us than our Colonial trade. Our exports to Germany, Holland and Belgium alone are double our exports to Australia and Canada.||

16. (a) That as is admitted by the preferentialists ¶ — our

* See Appendix III., Nos. 9 and 10.

† See Debate, House of Lords, 10th January 1903.

‡ See Nos. 21-26.

§ See Appendix III., Nos. 2, 8, 9 and 10.

|| Exports (1901) to Germany, Belgium, and Holland, £60,600,000; to Canada (9) and Australia (24), £33,000,000.

¶ "You must promote Colonial Trade with the Mother country by means of Preferential Tariff . . . even, if by doing so, we lessen somewhat the trade with our Foreign Competitors." — *Mr Chamberlain*.

whole trade would be injured and jeopardised by any alteration in our fiscal system. Trade would be forced out of its natural channels into others, from which less economic advantage would be derived; as we should buy less from foreign countries they would be able to buy less from us; protectionist nations would retaliate and injure us; while the cost of production would be increased.—(b) That our foreign trade, our Colonial trade, and our trade with neutral markets, and even our powers of meeting competition in our own markets, would be severely handicapped by the increased cost of production consequent on the increased cost of living, due to the preferential rates.

17. That the taxation of food products would (with the exception of the United States) hit hardest the least protectionist countries—Denmark, Holland, Argentina, etc.,—and injure our considerable trade with them; while our greatest trade rivals, Germany and France, would escape altogether.

18. (a) That there would be great danger of reprisals on the part of foreign countries, especially in the case of the United States, who could, if they wished, seriously injure our trade by imposing (for instance) an export duty on cotton, or by prohibiting the export passage of Canadian wheat over her territory.—(b) That, in any case, we should lose the immense advantage we at present possess of “most-favoured-nation treatment” applied to our foreign exports, which constitute two-thirds of the whole.

19. That if we place a duty on foreign food-stuffs for the benefit of the Colonies, we shall have relinquished all power of utilising, in our commercial negotiations, or for purpose of Retaliation, the most effective (in some cases the only) weapon in our armoury—the taxation of food stuffs.* A food-tax cannot be utilised both for Preference and for

* See Appendix III., No. 13.

Retaliation. For Preference it is necessarily permanent, for successful Retaliation it is necessarily temporary.

20. (a) That the home trade is more important to the prosperity of the country than its external trade. To raise the food bill of the whole population of 40,000,000 must diminish their purchasing power on every other article, and exercise an injurious effect on the vast internal trade of the country.—(b) That the social system of the country has grown up under the policy of free imports of food and raw material. Any radical alteration would injuriously affect many classes, and especially the poorest and most struggling.

21. (a) That the great bulk of the internal trade of the Empire is already done with the mother country;* and being carried on largely on a free trade basis, while it might possibly be diminished, it would not be increased by any protectionist device.—(b) That our exports to our self-governing Colonies are increasing rapidly and satisfactorily under the present system. It is best to leave well alone.

22. (a) That neither the present capabilities, nor the possible future development of the self-governing Colonies of Australia and Canada, give promise of greatly enlarged capacity for the purchase of British goods.—(b) That Canada, great though her fertility, is ice-bound for a considerable portion of the year, and is not capable of indefinite development.—(c) That Australia, through lack of water, and in consequence of droughts, can never be more than a populated fringe of a great continent.

23. (a) That the foreign trade of the self-governing Colonies is comparatively small, and the bulk of it is in articles which we do not, and cannot produce, such as wine, tobacco, oil, or raw materials and food stuffs. These deducted, the amount left of foreign imports which could be replaced

* See Appendix III., Nos. 9 and 10.

by English goods is not great;* and is infinitesimal compared to our whole trade.—(b) That, therefore, even if English goods were admitted free into the Colonies, the amount of additional Colonial trade that could be won is small.

24. (a) That both workmen and employers in Canada and Australia are strongly protectionist, and there is not the least intention on their part to admit British goods free, or other than at duties sufficiently heavy effectually to protect their own manufactures.—(b) That under the so-called "Canadian preference," Canadian manufactures still enjoy a protection of 24 per cent. over English goods; and Canada is not prepared to give any further substantial concessions.—(c) That Australia and New Zealand have specifically declared that they cannot reduce their very high protective tariff directed against British goods, and that all they can do is still further to penalise foreign competitive goods.—(d) That, indeed, all these Colonies depend so largely on their Customs for their revenue, that they could not afford appreciably to lower their tariff.†

25. (a) That "preference" such as this is of little practical advantage to the English producer. Our competition in Colonial markets is not so much with the foreign importer as with the Colonial producer. The displaced foreign trade would be absorbed by the Colonial, and not by the English manufacturer.—(b) That, indeed, as a result of the increased cost of production, here consequent on the tax on food, and probably on raw materials, the home manufacturer would be in a worse position than before to compete in Colonial markets, either with the foreign or Colonial competitor.—(c) That, further, the object of each protectionist Colony in fostering its own industries, is to become in time self sufficient, or even to become exporters. Even if at first, therefore, the British manufacturer were

* See Appendix III., No. 11.

† See P.P. 299 of 1903.

able to increase his Colonial trade, he would eventually be driven out of the Colonial market ; and, meanwhile, he would have jeopardised or lost his foreign market.

26. That the one concrete case—namely the preference given by Canada to British goods—has not produced any material effect in increasing our Colonial trade, though it has been in force for five years, and has been carried out under favourable auspices, and without any disturbing influences.*

27. That it is not therefore probable that our export trade to the Colonies would be greatly promoted ; while the whole foreign trade of the country would be disturbed and proportionately diminished ; and, at the same time, we should be called upon to pay a heavy tax on our food (and probably raw materials) for the benefit of the Colonies.

28. (a) That it would pass the wit of man to devise a scheme of preferential treatment that would be equitable and workable as between ourselves and the Colonies, and between the Colonies themselves.—(b) That the interests of all the different parties to the arrangement, and of their respective industries, are diverse, conflicting, and often antagonistic. A preference given on one article from one Colony might be disadvantageous to another Colony or to another trade, a duty imposed on some other article (raw material, for instance) might be disastrous to the mother country.—(c) That the basis of preferential treatment is equality of gains and losses ; a fiscal bargain impossible to make between a country which was seeking to increase its exports of manufactures, and a country which was chiefly concerned to protect its industries from competition.

* While the total amount of the exports from the United Kingdom to Canada have somewhat increased since the grant of preference, their proportionate amount to the whole Canadian imports has fallen from 27.58 per cent. in 1897 to 24.95 in 1902. There was a greater increase of trade with foreign countries than with Great Britain. "The substantial results have been altogether disappointing."—*Mr Chamberlain*, Colonial Conference, 1902, and see P.P. 310 of 1903.

29. (a) That any scheme or preferential treatment would involve a series of bargains with the Colonies, a process of haggling and wrangling in which each party would be trying to get the most from, and to give the least to, each other.— (b) That not only would there be disputes in each case whether the equivalent either party received was sufficient, but each colony would question whether what it was to receive were equal in value to that granted to the others. Friction, discontent, ill-will, and disunion would ensue.— (c) That there would be no central authority to whom appeals could be made, and who could, in the last resort, authoritatively decide the rights of the case and the points of issue.

30. That if a particular Colony refused to grant a preference, or only gave a preference less advantageous than that granted to the Mother country by some other Colony, it would be necessary, in order to give equality of treatment, to have a different and less favourable scale of preference applied to her goods. The tariff would become absolutely unworkable.

31. (a) That the divers and conflicting interests of the various home trades affected (and in the Colonies the interest of their home trades) would be almost impossible of adjustment.—(b) That by adhering to free trade, the Executive have been able to avoid having to deal with extremely difficult and irritating problems concerning the interests of competing industries in this country, and concerning the conflicting interests of the different Colonies.

32. That the introduction of a preferential system would in the end inevitably lead to a system of "protection." Each trade, in which the cost of production, consequent on the preferential duties, had been increased without any corresponding benefit, would claim, and justly claim, beneficial treatment also. Thus first one, and then another trade,

would receive a preference, and finally all trades would be protected.*

33. (a) That the preference once given, the step, as far as this country is concerned, is irrevocable, and would only be reversed at the risk of disruption. Vested Colonial and home interests would have been encouraged to grow up, and whatever the circumstances, and the necessity and urgency of repeal, they would command the situation.—(b) That yet there could be no security nor permanency in the arrangement. A change of view, or a change of Government, in Australia or Canada, might withdraw them from the arrangement, with but little disturbance to their trade. But England would have ceased to be a free trade country, would have lost much foreign trade, and would remain saddled with a tax on food.

34. (a) That it is admitted, that “if you are to give a preference to the Colonies, you must put a tax on food.”† For in order to give an effective preference to Colonial food imports, and in order to obtain the revenue necessary for other fiscal purposes, or dependent social reforms (and certainly if the scheme is to bring land back under cultivation), a “considerable duty” must be imposed on foreign corn, meat and dairy produce, etc.—(b) That however low the duties might be fixed at first, they (like all protective duties) would be certain to be gradually raised on the ground that they were not sufficiently effective.

35. (a) That as foreign food stuffs represent 75 per cent. of our food supplies, a tax on their import would raise their price, and correspondingly the price of all Colonial imports and home-grown food.‡—(b) That, thus, the amount taken out of the pockets of the consumer would be far

* See sections, *Protection and Retaliation*.

† Mr Chamberlain, House of Commons, 29th May 1903.

‡ See Appendix III., No. 4.

greater than the benefit accruing to the Colonies, or than the amount received by the Exchequer.* Further, the more the plan were successful, the less would be the proportionate receipt from the duty, though the aggregate burden on the community would remain the same.

36. (a) That the rise in the price of food consequent on the duty, would increase the cost of living, and wages, salaries, or income, would purchase less than they did before. Thus all classes would be worse off, and the increased cost of living would fall severely upon the working and lower middle classes.—(b) That those millions who now just manage to subsist on a living wage would be put to much hardship and suffering; the margin which exists between them and absolute want would be broken down.

37. (a) That there is no reason why dearer food should be followed, either immediately, or at any time, by a general rise in wages or salaries—they are indeed more likely to fall.—(b) Why, when, where, at what point, and to what extent, and how, would wages rise because of the increase in the cost of living? Where is the fund to come from, which would enable the increased wages to be paid?—(c) That, in any case, no immediate rise of wages, even in the benefited trades, could take place. Development of trade is a slow process.

38. (a) That even if the prosperity of a few trades, especially interested in Colonial commerce, were promoted, the other export industries (representing an infinitely larger

* A charge of 2s. a quarter on foreign corn would produce about £3,300,000 in taxation; besides this, the price of Colonial corn consumed here would be enhanced by some £875,000, and that of home-grown corn by about £4,000,000. Thus the English consumer would pay some £8,000,000 additional, while the Exchequer would only gain some £3,300,000, and the Colonial grower only £875,000.

Further, if a 5 per cent. duty were placed on foreign meat and dairy produce, it would cost the people of the United Kingdom some 7 millions a year, of which the Exchequer would only receive some 2½ millions, while the gain to the Colonial importers would be about three-quarters of a million only.

trade), would not be in any way benefited; but would, by the general dislocation of trade, and by the increased cost of production, be materially injured.—(b) That the home trade could not be benefited by the preferential tariffs; while its general prosperity would be checked by the diminished power of purchase, and the increased cost of production.—(c) That the prosperity of the shipping trade, and these directly or indirectly interested in it, is absolutely dependent on the low cost at which ships can be built, combined with free access and free exchange, free imports and free exports. Any diversion of or obstruction to trade would seriously cripple this great industry.

39. (a) That none of the working classes, men or women, employed in the various home trades—builders, miners, stevedores, dock labourers, carriers, busmen, gas-workers, &c., &c.—could hope to receive increased wages; these trades would be unaffected by the preferential duties.—(b) That the lower middle class—the clerks, men and women, those employed by business firms, &c., &c.—where wages and salaries are kept down by acute competition, could not hope to obtain any general or individual increase.—(c) That there would be no valid reason why the wages or salaries of those employed by Government, by municipalities, by public bodies, by the railways, by public companies, &c., should rise. Or if they were to rise, the taxpayer, the ratepayer, the shareholder would suffer doubly.—(d) That the tradesman, the middleman, &c., would not be able to increase their profits to cover the increased cost of living; or if they did, the customer would doubly suffer.

40. (a) That the wages would either remain the same, go up or go down. If they went down, the workmen would be in a sorry plight. If wages remained the same, the employer would be paying the same wage for an inferior article of labour; for corn and meat are the raw material of labour, and

labour less well nurtured is less efficient and economical labour. On the other hand, if wages were to go up correspondingly to the increased cost of living, the employer would be paying more for an article of labour equal only to that which he was receiving before.—(b) That thus, unless wages go down, the cost of production must go up.—(c) That, already, competition, abroad, at home, and in the Colonies, in protected and in neutral markets, is very severe, and any increase in the cost of production would greatly handicap the British manufacturer and producer, and seriously injure trade all round.—(d) The employer therefore would not be in a position to increase wages, and in most cases he would be obliged to reduce them.

41. That it is doubtful, therefore, whether, in *any* trade, wages would rise in consequence of preferential rates, while it is certain that in the overwhelming majority of cases they would not rise; and that in very many cases they would fall;* while in every case the cost of living would be increased.

42. (a) That wages in Germany (where the cost of food is higher than in England) are lower than in England, while the hours are longer; of late, too, wages have fallen there.† —(b) That wages in the United States are higher than here, but the cost of food is even lower there than in England.

43. That the demand for increased wages on the part of the men to enable them to bear the increased cost of living, or their resistance to a demand on the part of their employers for a reduction of wages in order to enable them to reduce the cost of production, would give rise to far-reaching industrial disputes and injury to trade.

* "A tax on food would mean a decline in wages. It would certainly involve a reduction in their productive value."—*Mr Chamberlain*, House of Commons, 12th August 1881. See Cd. 1761, pp. 259-293.

† See Blue Book, Cd. 1761, pp. 209-253, 259-293.

44. (a) That no relief of taxation on tea, sugar and tobacco would be an equivalent offset to the hardships involved by the taxation of bread or meat. Bread and meat are indispensable and primary commodities of universal consumption, and form the staple and essential articles of food of the great mass of the people.—(b) The poorer the family, the more the food tax would affect them. Their expenditure on bread constitutes a irreducible minimum that should not be touched by taxation; and the suffering that would be caused to them by an increase in the cost of the necessities of life could not be relieved by any reduction in the cost of their luxuries.

45. (a) That as the tax on food-stuffs would raise their cost to the consumer to a far greater extent than it would benefit the revenue, the relief that would possibly be given by corresponding remission of other taxation, could not represent more than a portion of the whole burden involved.* —(b) That if the preferential policy were successful, the Colonies would ultimately provide all the food-stuffs we require, and the revenue derived from the tax on foreign imports, which is to be utilised for the remission of the tea, sugar and tobacco duties, would disappear. The tea, sugar and tobacco duties would have again to be imposed; while the cost of food-stuffs would continue to be enhanced by the preferential duty which would have still to be maintained in order to continue to protect the Colonies.

46. That, in any case, the country was entitled to look to the remission of the tea and sugar duties at some future time, in the ordinary course, without any offset.

47. (a) That any system of preferential tariff would not only involve a duty on food-stuffs, but, whatever the original intention, would inevitably lead to a duty also on the raw material of manufacture—wool, cotton, iron, timber, &c.

* See No. 35, and note.

—(b) That each Colony produces some considerable article of commerce distinct from the other Colonies. A preference given on one particular article (for instance, corn), while advantageous to Canada, would be no advantage to the Cape. Yet each Colony can justly claim equal consideration, and some particular article that she produces in abundance must receive preferential treatment. Preferential treatment cannot therefore be confined to food-stuffs.*

48. (a) That when once the principle of preferential treatment is agreed to, each particular Colony and the dominant interests in it, would have the controlling voice in deciding which of her products should be favoured; we could not dictate to her in the matter.—(b) That Australia and South Africa would claim, and justly claim, preference on their wool and their hides; India and some of the Crown Colonies, a preference on their cotton or their sugar; some of the other Colonies a preference on their wood, etc.*—(c) That each industry would expect to be equally advantaged. The Australian wool-merchant is as much entitled to preference as the Canadian wheat-grower.—(d) That thus, in order to carry out the policy of equitable preference, a tax on the raw material of manufacture of our staple industries would be absolutely inevitable; and it is generally admitted that to impose duties on the raw materials of manufacture would be disastrous to our trade, and especially to the cotton, woollen and iron industries.

49. That the agricultural interest which has been most severely injured by the policy of free imports, would have nothing to gain from preferential duties, the object of which is merely to transpose free Colonial for free foreign food-stuffs.

50. That the introduction of a preferential system would necessitate a policy of retaliation on foreign countries.†

* See Appendix III., No. 12.

† See *Retaliation*.

51. That the system of Colonial preference that formerly prevailed was admittedly injurious to the Colonies as well as to the Mother country.

51. That it is very questionable whether it would not constitute a grave danger in time of war to have our food supplies concentrated in British hands. A large foreign importer (say the United States) would be less inclined to admit that food-stuffs were "contraband of war" if she were largely interested in supplying Great Britain.

52. That (to sum up) a system of trade preference would be disastrous. On political grounds—for it would lead to friction and misunderstandings and disputes between various parts of the Empire, tending to disintegration rather than to consolidation. On economic grounds—the possible trade to be won is infinitesimal, while the rest of the trade of the Empire would be dislocated and diminished. On social grounds—inasmuch as the cost of living would be increased, and the position of the working and struggling classes would be worsened.

[Some would argue that the Colonies might of themselves well grant certain preferences to British goods, as a contribution to the cost of the Empire, now almost entirely borne by Great Britain, without asking for any equivalent from the Mother country.]

APPENDIX

APPENDIX III.

No. 1.

INCOME TAX.

(*From Report of Commissioners of Inland Revenue. Cd. 1717.*)

Gross Income Assessed.	Increase.	Gross Income Schedule D. (Trades and Professions).
1868-69 ... £398,794,000*	£145,500,000*	{ £173,054,000*
1875-76 ... 544,376,000* }		
1894-95 ... 657,097,000	210,000,000	{ 340,559,000
1901-02 ... 866,993,000 }		

* "Periods of the greatest prosperity."

Estimated Income from certain Investments Abroad.

1881-82, £30,600,000 1891-92, £54,700,000 1901-02, £62,000,000.

("A minimum figure which is probably largely exceeded."—*Board of Trade. Cd. 1761, p. 103.*)

POST OFFICE SAVINGS BANKS.

	1887	1897	1901
No. of Depositors ...	3,952,000	7,240,000	8,788,000
Due to Depositors ...	£54,000,000	£116,000,000	£140,000,000

MERCHANT SHIPPING.

(*From Parliamentary Paper 290 of 1903.*)

The total net tonnage of British ships is 11,120,000 tons, against 12,500,000 tons of the Shipping of the principal foreign countries.

The annual tonnage built in the United Kingdom was (in tons) 394,000 in 1870; 473,000 in 1880; 813,000 in 1890; 944,000 in 1900; and 950,500 in 1902.

The tonnage of vessels entered and cleared at Ports in the United Kingdom, was—

	1870	1890	1902
British ...	25,000,000	54,000,000	65,000,000
Foreign ...	11,600,000	20,300,000	35,000,000

RAILWAY TRAFFIC (*from Cd. 1761.*)

Annual Average.	Goods Traffic. (Million Tons.)	Passengers. (Millions.)
1880-4 ...	252	652
1890-4 ...	308	862
1902 ...	437	1188

No. 2.

TOTAL TRADE UNITED KINGDOM.

(From Statistical Abstract.)

	In Million £			Per head of Population.			In Million £
	Exports.	Imports.	Total Trade.	£	s.	d.	Excess of Imports over Exports.
1860	164	210	374	12	18	0	46
1870	244	303	547	17	10	10	59
1880	286	411	697	20	3	0	125
1887	281	362	643	17	11	8	81
1890	328	420	748	19	19	7	92
1895	286	416	702	17	17	10	130
1897	294	451	745	18	12	4	157
1899	830	485	815	19	19	4	155
1900	354	523	877	21	6	4	169
1901	348	522	870	20	18	9	174
1902	349	528	877	20	18	5	179

Other years will be found in the *Statistical Abstract*, p. 49.

No. 3.

THE YEAR 1873.

The years 1872 and 1873 are often taken by Protectionists for comparison with other years. But these were both years of enormously inflated prices, higher than any year since 1826, consequent on the ending of the Franco-Prussian War, and on a sudden bubble revival of industry.

If the Imports and Exports of other years are calculated on the basis of the values prevailing in 1873, the following results (the Exports are of domestic produce only) would appear (in *Million £*):—

	Declared Values of			On approximate basis of		
	I.	E.	Total.	Value of 1873.		
	I.	E.	Total.	I.	E.	Total.
1873	371	255	626	371	255	626
1883	426	240	666	526	295	821
1893	405	218	623	611	329	940
1902	528	283	811	797	418	1,215

(From answer, President, Board of Trade, Aug. 12, 1903.)

In other words, the trade of 1902 was double that of 1873; and if the value of the Exports (our sales) has fallen, the value of the Imports (our purchases) has fallen in a still greater proportion.

No. 4.

IMPORTS CLASSIFIED (1902).

1. *Food-stuffs* (FOOD AND DRINK)—

From Foreign Countries	£179,500,000
„ British Possessions	43,800,000
	<hr/>
	£223,300,000
Tobacco	5,800,000

2. *Raw Materials*—

From Foreign Countries	£124,800,000
„ British Possessions	51,800,000
	<hr/>
	£176,600,000

(Such as cotton, wool, flax, jute, hemp, hides, petroleum, gutta-percha, wood, seeds, iron and metal ores, oil, manure, tallow, etc.)

3. *Semi-Manufactured Articles*—

From Foreign Countries	£19,200,000
„ British Possessions	8,300,000
	<hr/>
	£27,500,000

(Such as yarns, unwrought iron and steel, iron pig and puddled, lead pig and sheet, tin blocks, copper wrought and unwrought, leather, etc.)

4. “*Manufactures*” —

	Foreign.	Colonial.	Total.
(i.) <i>Wholly manufactured material and plant</i>	£59,800,000	£3,100,000	£62,900,000

(Such as manufactures of wood, iron and steel, machinery, glass, linen, cotton, woollen and jute goods, leather, chemicals, soap, matches, hats, paper, glue, drugs, cement, etc.)

(ii.) <i>Luxuries</i>	£28,500,000	£105,000	£28,600,000
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(Such as silk, motors, pictures, musical instruments, watches, pipes, books, embroidery, toys, furs, playing cards, lace, beads, curios, etc.)

5. *Miscellaneous*—£3,500,000 (such as horses, ice, cut flowers, plants, and parcels post).

Total Imports, £528,000,000,

EXPORTS CLASSIFIED (1902).

(From Trade and Navigation Returns, December 1902.)

I. Animals, Living	£824,361	
II. Articles of Food and Drink	*16,439,603	
III. Raw Materials	31,171,616	
IV. Articles Manufactured and partly manufactured, viz. :—		
A. Yarns and Textile Fabrics	103,336,862	
B. Metals and Articles manufactured therefrom (except Machinery and Ships)	42,612,141	Total Value (as below) £283,540,000
C. Machinery and Mill Work	18,751,812	Foreign and Colonial Merchandise 65,810,000
D. Ships new (not registered as British)	5,891,775	
E. Apparel and Articles of Personal Use	12,150,371	
F. Chemicals and Chemical and Medicinal Preparations	9,586,728	Total Exports <u>£349,350,000</u>
G. All other Articles, either Manufactured or partly Manufactured	39,296,233	
H. Parcel Post	3,478,478	
Total Value	<u>£283,539,980</u>	

* A large proportion of these are manufactured articles.

No. 5.

EXPORTS AND IMPORTS OF SOME SPECIAL MANUFACTURES.

(From Statistical Abstract.)

<i>Woollen Manufactures—</i>	1887	1901
E.	£20,600,000	£14,200,000
I.	7,700,000	9,580,000
<i>Cotton Manufactures—</i>		
E.	59,600,000	65,700,000
I.	2,280,000	4,780,000
<i>Silk Manufactures—</i>		
E.	2,330,000	1,430,000
I.	10,380,000	13,030,000

EXPORTS AND IMPORTS—*continued.*

	1887	1901
<i>Glass Manufactures—</i>		
E.	£1,020,000	£1,060,000
I.	1,670,000	3,530,000
<i>Furniture, Frame and Woodwork—</i>		
E.	574,000	634,000
I.	488,000	2,280,000
<i>Iron and Steel (wrought and unwrought)—</i>		
E.	25,000,000	25,300,000
I.	3,650,000	11,500,000
<i>Machinery—</i>		
E.	10,600,000	16,300,000
I.	— *	3,600,000
<i>Cutlery—</i>		
E.	2,920,000	3,540,000
I.	— *	1,152,000
<i>Leather Manufactures—</i>		
E.	2,470,000	2,770,000
I.	2,245,000	2,237,000
<i>Clocks, Watches and Parts—</i>		
E.	154,000	104,000
I.	1,150,000	2,030,000

* Not separately distinguished in 1887.

No. 6.

IMPORTS OF RAW MATERIALS.

(From Statistical Abstract.)

	1887	1901
Iron Ore (tons)	3,760,000	5,550,000
Raw Cotton (lbs.)	*1,500,000,000	*1,623,000,000
Wool (lbs.)	*258,000,000	*398,200,000
Leather (cwt.)	754,000	1,315,000
Indiarubber (cwt.)	237,000	466,000
Wood (loads)	5,650,000	9,200,000
Silk (lbs.)	3,010,000	2,000,000
Copper (tons)	200,000	264,000

* Actual amount retained for home consumption.

No. 7.

TOTAL EXPORTS OF DOMESTIC PRODUCE (including Food stuffs, Raw Material, and Manufactures) of CERTAIN COUNTRIES.

(From Board of Trade Returns. Cd. 1199 and 1761.)

	In Million £			
	U.K.	France	Germany	U.S.A.
1883 .	240 (213)	138 (74)	164 (98)	168 (28)
1885 .	213 (188)	124 (65)	143 (90)	151 (31)
1890 .	263 (228)	150 (80)	166 (107)	176 (31)
1895 .	226 (195)	135 (76)	166 (109)	165 (38)
1900 .	283 (224)	164 (90)	230 (149)	286 (90)
1901 .	271 (221)	160 (90)	222 (144)	304 (86)

(The numbers in brackets represent the respective exports of articles, wholly or partly *manufactured*, of each country.)

EXPORTS AND IMPORTS OF MANUFACTURED ARTICLES FROM AND TO THE U.K.

		In Million £						
		1883	1885	1890	1895	1900	1901	1902
E.	213	188	228	195	224	221	229	
I.	53	54	63	76	93	94	99	

(The exports, in both the above tables, are exclusive of the value of ships.)

No. 8.

TRADE WITH CERTAIN FOREIGN COUNTRIES, 1902.

(From Statistical Abstract.)

		In Million £		Total Trade
		Imports from	Exports to	
Germany	...	34	33	67
Holland	...	35	13	48
Belgium	...	26	13	39
France	...	51	22	73
Russia	...	26	14	40
Denmark	...	16	4	20
United States		127	43	170

(Tables showing our Trade with France, Germany, Holland, and U.S.A., for the last twenty years, will be found in the Board of Trade Return. Cd. 1191, p. 11, etc.)

No. 9.

TOTAL TRADE OF U.K., distinguishing between FOREIGN COUNTRIES AND BRITISH POSSESSIONS.

(Extracted from Parliamentary Paper 214 of 1903.)

IMPORTS.

	From Foreign Countries	From British Possessions			Total	Grand Total
		Self-Governing Colonies	India	Others		
Average 1881-85	305	43	36	16	95	400
„ 1886-90	300	42	32	15	89	389
1891	336	50	32	17	99	435
1895	321	52	26	17	95	416
1900	413	62	27	21	110	523
1901	416	60	27	18	106	522
1902	421	60	29	18	107	528

(Bullion and specie excluded from these tables.)

EXPORTS OF BRITISH AND IRISH PRODUCE.

	To Foreign Countries	To British Possessions			Total	Grand Total
		Self-Governing Colonies	India	Others		
Average 1881-85	151	38	30	13	81	232
„ 1886-90	155	37	32	12	81	236
1891	161	41	31	14	86	247
1895	156	33	25	12	70	226
1900	197	48	30	16	94	291
1901	175	52	35	18	105	280
1902	174	60	33	16	109	283

TOTAL EXPORTS (including Foreign and Colonial Produce).

	To Foreign Countries	To British Possessions			Total	Grand Total
		Self-Governing Colonies	India	Others		
Average 1881-85	207	42	31	15	88	295
„ 1886-90	210	41	33	14	88	298
1891	216	45	32	16	93	309
1895	210	37	26	13	76	286
1900	252	53	31	18	102	354
1901	235	58	36	19	113	348
1902	232	67	33	17	117	349

No. 10.

TOTAL COLONIAL TRADE.

(From Parliamentary Paper 262 of 1903.)

The total aggregate Colonial Trade in 1900 was 482 million £—imports 244, and exports 238. Of this (1) imports 117, exports 108—total 225, was with the U.K.; (2) imports 46, exports 43—total 89, was with other British Possessions; and (3) imports 81, exports 87—total, 168, was with Foreign Countries.

(NOTE.—The above figures include bullion and specie, excluded in the previous tables.)

No. 11

TRADE TO BE WON.

(1).

Foreign imports into Self-Governing Colonies, 1901 :—

Canada and Newfoundland	£29,300,000
Australia and New Zealand	14,500,000
Cape and Natal	5,900,000
	<u>£49,700,000</u>

Of this (roughly) :—

United States sends	£31,000,000
(Mostly raw materials, coal, cotton, metals, etc., food-stuffs, oil, etc.)	
European Countries send	12,000,000
(Largely sugar, oil, wine, etc.)	
Other Countries send	6,700,000
(Chiefly tea and tropical produce.)	
	<u>£49,700,000</u>

(2).

Imports from Foreign Countries into certain Colonies and Dependencies.

(From Board of Trade Return. No. 322 of 1903.)

	1901.		Manufactures and Semi-Manufactures.
	Food and Drink.	Raw Materials.	
Australia . . .	£2,315,000	£910,000	£9,211,000
New Zealand . .	313,000	58,000	1,647,000
Natal . . .	605,000	193,000	756,000
Cape . . .	1,930,000	334,000	2,103,000
Canada . . .	7,253,000	7,503,000	14,065,000
Newfoundland	268,000	20,000	185,000
<i>Total</i> . . .	£12,700,000	£9,000,000	£28,000,000
India . . .	3,270,000	1,310,000	9,850,000
Crown Colonies	6,600,000	4,700,000	4,300,000

No. 12.

THE TAXATION OF RAW MATERIALS.

(From Custom House Return. Cd. 1617.)

Imports, 1901, from—

	Australia	New Zealand
Wool	£11,500,000	£3,900,000
Skins and Tallow	1,500,000	880,000
Meat	1,900,000	3,500,000
Corn Butter, Cheese, Fish, etc. }	3,300,000	1,550,000

Imports from—

	Food	Other products
Canada	£13,000,000	£6,800,000
Australia and N.Z.	10,200,000	25,600,000
Cape	10,000,000

If preference be limited to food stuffs, Canada would gain on two-thirds of her whole imports to the United Kingdom; New

Zealand would gain on one-half; Australia would gain on a fifth only; and the Cape would not gain at all.

The imports from the Cape (exclusive of gold), are, roughly, £10,000,000, of which about half are diamonds. Of the balance, £3,000,000 is wool, £900,000 feathers, £500,000 skins, and £340,000 copper.

No. 13.

RETALIATION.

(From Custom House Return. Cd. 1617, and Cd. 1761.)

Estimated average *ad valorem* equivalent import duties levied by the undermentioned countries on the principal articles of British export from the United Kingdom:—Russia, 131 per cent.; United States, 73; Austria-Hungary, 35; France, 34; Italy, 27; Germany, 25; Belgium, 13.

(1) Imports from Russia (1902)—

Food-stuffs	£13,500,000
Raw materials	10,000,000
Manufactures (chiefly paper)	195,000
Semi-manufactures	205,000
All other articles	1,770,000
	<hr/>
	£25,670,000

(2) Imports from U.S.A (1902)—

Food-stuffs	£62,500,000
Raw materials (chiefly cotton)	44,000,000
Manufactures	9,500,000
Semi-manufactures (chiefly leather)	4,750,000
All other articles (chiefly tobacco)	6,250,000
	<hr/>
	£127,000,000

Thus, in the case of *Russia*, if food-stuffs and raw material are excluded (as is generally agreed) from Taxation for retaliatory purposes, the amount of Russian Imports on which

retaliatory duties can be placed, amounts in all to £195,000 of manufactured goods, and £205,000 of semi-manufactures, the latter being, however, the raw material of home manufactures. Against this we export to Russia £14,000,000 of goods, on which further retaliatory duties could be placed.

Similarly, in the case of the *United States*, the total amount of American goods on which retaliatory duties could be placed is £9,500,000 of so-called manufactures. Against this we export to the States £24,000,000 of British produce, and £19,000,000 of Foreign and Colonial re-exports, on which re-retaliatory duties could be placed.

[See my Paper, *Retaliation: Is it Feasible?* published by the Cobden Club. Messrs. Cassell & Co., Ludgate Hill, London.]

No. 14.

MR CHAMBERLAIN'S PROPOSALS.

(As detailed at Glasgow, October 6, 1903.)

Duties to be Imposed—

- On foreign *corn* (except *mâize*), 2s. a quarter.
- On foreign *flour*, a duty which will "give a substantial preference to the miller."
- On foreign *meat* (except *bacon*), 5 per cent.
- On foreign *dairy produce*, 5 per cent.
- On foreign *wine* and *fruit*, duties which will give "a substantial preference to the Colonies."
- On all *manufactured goods* imported, a duty "not exceeding 10 per cent. on the average, and varying according to the amount of labour on the goods."

Taxation to be Remitted—

- Three-fourths of the *Tea Duty*.
- Half of the *Sugar Duty*, with corresponding reductions on *cocoa* and *coffee*.

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